Final Edition

ESTABLISHED 1839

JAN 2 1947

in 2 Sections – Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 165 Number 4556 New York, N. Y., Thursday, January 2, 1947 Price 60 Cents a Copy

The Financial Outlook

By CHARLES O. HARDY*
Economist, The Chicago Association of Commerce
Formerly, Vice-President, Federal Reserve Bank, Kansas City

Holding present problem is still one of preventing inflation rather than staving off a collapse, Dr. Hardy stresses pent-up demand for both consumer and producer goods as portending continuation of prosperity. Says a decline in agricultural prices will not cause a widespread tailspin, and that low interest rates prevents drastic deflation that occurred after World War I. Contends inventories are not yet excessive, and "we don't have to have shortages to have a boom or a price inflation." Foresees a boom in durable goods, and concludes immediate outlook is for high employment and sellers' markets despite gradual elimination of shortages.

In the progress of reconversion from a wartime to a peacetime economy, we have used up an amount of time which roughly equals the duration of the first boom, the inventory boom, following World War I; that is, a year and a half. In many respects the conditions of the last 18 months have closely resembled those of 1919-20: the price movements, the labor conditions, the imperative foreign demand both for the necessities of life and for capital goods, the persistant shortage of many types of durable goods and some types of nondurables, with nevertheless an upward trend in inventories as a

Charles O. Hardy

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*An address by Dr. Hardy before the Public Affairs Meeting of the Chicago Association of Commerce, Chicago, Ill., Dec. 18, 1946.

Labor Turmoil Ahead: "Now What to Do?"

By FREDERIC EDWARD LEE
Professor of Economics, University of Illinois

Dr. Lee, in commenting on present labor turmoil expresses doubt whether labor will correct any of its mistakes. Calls attention to inter-union exploitation and wild-cat strikes and cites instances of ruthless union labor action in housing construction. Advocates enactment of a revised Case Bill, and the outlawing of closed shops, "check offs," member maintenance, and other obnoxious restrictions in labor contracts.

An eminent American anthropologist in the cultural field—Professor A. G. Keller—has been telling almost countless generations of Yale seniors during the past forty or fifty years that if human history is a tangled drama, its plot, at least, is simple: "Man Faces the Awkward Situation." For instance, "the cave-dweller rounds a corner and runs into a saber-toothed tiger; the modern nation encounters the liquor issue as a lion in its path. And the first line of man's speaking part has always been:

"Man (anxiously) 'Now what to do?'"

If the man or nation in question belonged to the vast area of the world where "pidgin English" is used, his question might well have been:

"Man (anxiously): What now b'long plopper (proper)?"

Dr. Frederic E. Lee

Certainly at the present time this nation "Faces the Awkward Situation," with the lion in the path now confronting our economic and political order, that of trying to find some solution, both reasonable and fair, to the muddled problem of industrial unrest and conflict. With labor having been pampered and coddled for the past 14 years, it has gained a strength and a recklessness in its abuse of power that could hardly have been foreseen in 1932 and 1933.

An Objective Approach Needed

It is difficult to consider this problem at this time in a purely objective manner, for in writing or speaking upon this whole subject, it is so easy to fall into the manner of dealing with it with "more heat and less light" than the problem demands. With John L. Lewis, Philip Murray, Walter Reuther, and others who might be named, having tried so recently to put themselves above government, above the President, and the courts, so that one might with ease and impunity belittle the President, and another of the trio might deride the courts and their judges until he and his union were properly fined for their contempt, it is hard for a red-blooded American and an orthodox economist to view the situation coolly and without passion, yet the approach to this problem should be an objective one if corrective rather than punitive measures are to be proposed and adopted. Hence, with as great objectivity as is possible, this author proposes to consider as judiciously and fairly as he can, the

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Germany's Economic Crisis

By J. van GALEN
Financial Editor, "Agemeen Handelsblad," Amsterdam

Dutch publicist asserts collapse threatens German industry, and Ruhr may become "economic slum." Declares aid must come immediately, in form of: (1) adequate food supply for industrial areas of Western Germany; and (2) credits for raw materials. Suggests that United States, either through the Treasury or private banks, should establish raw material and processing credit arrangement along lines of Dutch-German Tredifina Agreement of 1920—now eliciting wide interest— whose provisions he specifies.

The present condition of German industry, 19 months after the capitulation, is such that collapse threatens.

A journey through the Ruhr, which I undertook in November to study the industrial situation, has convinced me that transport and the electricity supply is such that a further decline in economic activity can be expected.

It is always dangerous to prophesy, but a few figures supplied from official British sources will demonstrate that the prophecy of speedy collapse is not as exaggerated as it sounds.

Although coal production in the Ruhr shows a rise, from 178,000 tons per working day in August to 192,000 tons at the end of November, transport is becoming increasingly difficult because freight cars are obsolete and are breaking down with ever greater frequency and it is impossible to repair serious damage.

In August, 15,000 freight cars—i.e., 2½% of the prewar rolling stock of the Reichsbahn — were taken to the repair shops in excess of the number of repaired trucks turned out. For the normal transport of about 150,000 tons a day, made available by the mines after the deduction of their own consumption, there must be at least 8,000 cars on hand every day. In 16 there were under 4,300. The

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Are Corporate Profits Exaggerated?

By A. M. SAKOLSKI

Commenting on recent statements of labor leaders and others that current business profits are exorbitant and increasing, Dr. Sakolski points out danger in present situation of computing profits under accepted accounting procedures. Cites statements by Mr. Voorhees of U. S. Steel Corporation and Mr. Coyle of General Motors Corporation calling attention to misconceptions of current profit data, and concludes that accounting methods may lead to exaggeration of current profits when viewed in light of present transitory and abnormal conditions.

I.

Much has been made recently of so-called "exorbitant profits" of business corporations. Mr. Philip Murray in his keynote address to the recent CIO Convention at Atlantic City stressed the point not only as a basis for demands for higher wages but also as constituting a public menace greater than that of Communism.

A. M. Sakolski

"In the course of our wage considerations during the latter part of 1945 and the early part of 1946," he stated, "this organization contended that the profit-making aspects of the industrial picture were such that American industry could absorb the payment of a substantial wage increase without necessarily increasing prices. When argument was adduced by representatives of CIO organizations to that effect, the employers of labor, in making answer, observed that they would have to secure price increases. . . .

"What has happened to the employer in the meantime? What has happened to the employer interests in the United States in this period to which I make reference is very interesting.

"In the year 1939, the year prior to the war—and that was accepted as sort of a year that should be used for the purpose of balancing things during the war—in the year 1939, corporate profits after taxes were $5 billion here in the United States.

"Shall we follow through from 1944 until now? What is it now? What sort of a financial status do they occupy now compared to the peak period during the war? Is it less than it was in the peace period of 1939? Is it less than it was during the peak period of 1944? No. No. To the contrary, evidence adduced, facts reported, emanating from governmental sources, indicate that profits for the last quarter of 1946 can reap for American corporate interests a $15 billion profit, predicated upon that rate for the last quarter of 1946. This is an unprecedented profit. A higher profit than ever experienced at any time in the history of American business."

Mr. Murray's figures were drawn from the document prepared by Robert Nathan, a former New Dealer in government service, whose estimates had "leaked out" during the last General Motors strike, and were made public, but later repudiated by Mr. Wallace.

In other circles, also, post war higher corporate earnings are being emphasized, and, on the whole, many companies, with the notable exception of the railroads and the automobile concerns, have reported improved profits over the war period when excess profit taxes were in force and when war contracts were being chiseled down by renegotiation.

C. F. Hughes Comment

Strong comment of the same character comes from C. F. Hughes, Business Editor of the New York "Times" (see "The Chronicle,"

(Continued on page 22)

The Time for Confidence

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society of the U. S.

Insurance executive, asserting a recession is not probable, deplores psychological attitude of both producer and consumer which causes loss of confidence in future economic trend. Holds such attitude may cause temporary set-back, but expresses doubt it can overcome inherent optimism of American people. Stresses need of confidence in the currency.

Throughout 1947 nothing will be more important to the economic and psychological good of the people than a renewed feeling of confidence in their government, in labor, in management, and in their currency.

T. I. Parkinson

In many predictions regarding America's chances for prosperity and boom during the new year there has been a heavy undertone of suspicion and fear; at a time when America occupies the central position in a volatile international situation and when the reconversion, physical and mental, from war is still in progress this lack of confidence is of tremendous potential danger.

"Will there be a depression in 1947?" is a question that is on everybody's mind as the new year begins. My very definite opinion is that a real depression at this time is not probable; indeed I might say is not possible.

Those who see the present postwar conditions following the pattern of the years immediately following the first World War, however, insist that at the best we are in for a "recession" or "slump" or a "thank you Ma'm" in the boom highway. A strong argument can be put forward for this contention, and perhaps the most vital test of that argument is the psychological attitude of both producer and consumer when it comes to making commitments for the future. This attitude rests squarely on confidence or lack of it.

Even with plenty of money in their pockets and a long back-log of things they want to buy, the American people may well get into a state of mind where for one reason or another they will delay their use of that money. Recurring disputes about wages and prices and the cost of living contribute more and more to the public confusion and hesitation. If labor continues to make exorbitant demands with the real expectation and result of compromise, and if management continues to broadcast the possibility of ruin if labor's demands are met or if rates and prices are not increased, how can we expect an innocent and long-suffering public to use its present large buying

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*A statement released by Mr. Parkinson through the Continental Press Syndicate, Brightwaters, N. Y.

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Regular Features

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

WILLIAM B. DANA COMPANY, Publishers
25 Park Place, New York 8, N. Y.
REctor 2-9570 to 9576

HERBERT D. SEIBERT, Editor & Publisher
WILLIAM DANA SEIBERT, President
WILLIAM D. RIGGS, Business Manager

Thursday, January 2, 1947

Every Thursday (general news and advertising issue) and every Monday (complete statistical issue—market quotation records, corporation news, bank clearings, state and city news, etc.)

Other Offices: 135 S. La Salle St., Chicago 3, Ill. (Telephone: State 0613); 1 Drapers' Gardens, London, E. C., England, c/o Edwards & Smith.

Reentered as second-class matter February 25, 1942, at the post office at New York, N. Y., under the Act of March 3, 1879.

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $26.00 per year; in Dominion of Canada, $29.00 per year. Other Countries, $33.00 per year.

Other Publications

Bank and Quotation Record—Monthly, $25.00 per year. (Foreign postage extra.)

Monthly Earnings Record — Monthly, $25.00 per year. (Foreign postage extra.)

Note—On account of the fluctuations in the rate of exchange, remittances for foreign subscriptions and advertisements must be made in New York funds.

The 1947 Stock Market

By RAGNAR D. NAESS*

Analyst first cites following favorable factors: (1) large deferred demand; (2) available savings; (3) backlog of foreign trade; and (4) improved labor outlook. He then states following as warranting caution: (a) present rate of capital investment may not last; (b) rising costs; (c) large and unbalanced inventories; (d) prospective decline in exports; (e) deflationary curtailment of government spending and (f) doubts about sufficiency of consumers' buying power. Regarding 1947 stock market, concludes prices will recover moderately further during early months, and then decline again to new lows.

Ragnar D. Naess

Anyone dealing with investment policy finds that there are certain periods during which it is more than ordinarily difficult to appraise and judge the outlook, and I have a hunch that we are in one of those periods at the present time. Surely those optimistically inclined are able to make a very strong case, while those who have some measure of apprehension regarding developments next year are also able to find considerable ammunition to muster appealing arguments. This division of opinion is reflected in the stock market which has been dull for a number of weeks after the precipitous decline in September.

There seem to be at least three points of agreement among most observers. One is that the boom we are now going through is on a very large scale, and that our economy today is running on a pretty much "all out" basis. Another is that the price advances since last summer have been so sharp that some downward readjustment in prices seems inevitable. A third one seems to be considerable agreement that soft goods lines will not continue at

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*Based on an address by Mr. Naess, partner in Naess & Cummings, before Association of Customers Brokers, New York Curb Exchange, Dec. 17, 1946.

Repeal of Maloney Act Advocated

Maloney Act created a philosophy alien to our American way of life. Special privileges to fractional segment of securities field decried. Opportunity of NASD Board to give intermediate relief on due notice and adequate discussion portrayed. Executive Director of NASD should not take periodic transcontinental junkets to make propaganda for acceptance of alien creed.

What is the chief vulnerability of the Maloney Act which gave rise to the National Association of Securities Dealers?

The fact that it creates a philosophy wholly alien to our American way of life.

Let us examine some of the pitfalls.

Of these, Section 15A(10)(i)(1) sticks out like a sore thumb. It provides:

"The rules of a registered securities association may provide that no member thereof shall deal with any nonmember broker or dealer * * * except at the same prices, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public."

Although the permissive word, "may" is used, nevertheless, the NASD has put this section into operation and if its

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What Case Against The German Bankers?

By ADOLPHE J. WARNER
Economic Consultant, Finance Division OMGUS

Mr. Warner asserts that punitive action against high-ranking officials of all large German banks who are being held for trial in civilian internment camps, has been far more severe than against businessmen who are left entirely free to enjoy their "loot" in neutral countries. Maintains bankers' mass punishment would constitute arbitrary discrimination against a selected group for their country's loss of war—such action vitiating the desired democratic re-education of Germany.

One of the strange sights no visitor to the Nuremberg trials will soon forget was the stiff, intent figure of Dr. Hjalmar Schacht, eagerly following the proceedings through his earphones, always separated, it seemed, by an invisible wall, from his co-defendants, particularly the moronic, gum-chewing Streicher to his right. While it is common knowledge that he, as well as his successor in office, Walther Funk, were indicted on the basis of their participation in the financing of Hitler's war effort, it is perhaps not equally well known that, at this writing, the majority of Germany's prewar and wartime bankers and financiers are still prisoners in civilian internment camps. The several hundred men thus held comprise the executives and directors of the "Big Six" banks (Reichsbank, Deutsche Bank, Dresdner Bank, Bank der deutschen Arbeit, Reichskreditgesellschaft, and Berliner Handelsgesellschaft), executives and directors of most of the larger public and semi-public financial institutions, including Mortgage, Cooperative, and Savings Banks, as well as the partners of some of the largest private banks. These men, quite a few of whom have been interned for close to two years, are ineligible for release at this time pending determination of their status by the Office of Chief Counsel, the agency handling war crimes trials, of the feasibility of their collective indictment as war criminals.

This article has been cleared by the War Department for publication with the following notation: "The War Department has no objection to publication of subject article on grounds of military security. Review of this material for military security does not imply War Department indorsement of factual accuracy or opinion."—The Editors.

The crucial feature of this matter is, of course, not the indictment of several of these officials as war criminals. Keeping in mind the terms of the indictment of the first group of defendants, there are, beyond doubt, cases where bankers have been guilty of crimes against peace (by volun-

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BUSINESS BUZZ

"Miss Parker, I Think You're Misinterpreting the Functions of a Customer's Man!"

The Industrial Outlook for Brazil

By ROBERT L. HEILBRONER
Economist, RCA International

In reviewing varied factors behind Brazil's current development, Mr. Heilbroner reveals she has great handicaps as well as strong advantages remaining. His overall survey of Brazilian economy stresses: (1) her potential wealth; (2) her crippling split between modern and feudal society; (3) war-induced changes in her economy and industry; (4) deep-seated obstacles remaining. Concludes that by integrating national policy and economic action within commercial framework, she will attain her goal of mature, self-sufficient and progressive industrialism.

Introduction

Much attention is being focused currently on Brazil's severe inflationary problems with their social and political repercussions; much attention is allotted in the press and the weeklies to Brazil's immediate political and social problems with their economic consequences. Behind this kaleidoscopic scene, however, lies the basic Brazilian economy to which all present activity must conform if it is to be long-lived and significant. A political party may change overnight, a new law may appear as quickly, but the fundamental make-up of a country changes only slowly, as even the Russian builders have found out. Therefore, to understand the framework within which Brazilian development is taking place, we must study the sluggish movement of the skeletal economy itself in order to relate the daily happenings in the press to their proper place in the perspective of history. In this paper, then, we shall devote our attention only to the slow-moving elemental factors in the Brazilian scene, leaving the lifelike details to be filled in by our current knowledge of Brazilian happenings.

Robert L. Heilbroner

Brazil is a country whose po-

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Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

Don't expect miracles in speed from the Congress convening Friday. Congress reform is akin to New Year resolutions—to be promised, talked about, but rarely realized. In the new Congress, habits won't change much. There will be less genuflecting to the White House, but if you're expecting ascendancy of statesmanship and decline of politics, with resultant benefits to the public, better get set for disappointment.

* * *

Talk, deliberation, delay will continue as the skeleton supporting the congressional body. Tax bill won't be enacted for months. Labor legislation will be long in the making unless Capitol Hillers are goaded by more big strikes. Budget cuts will come in dribbles. Only the legislative tyros will aspire to roll up their sleeves and remake the country hurriedly.

* * *

End result of the coming session will be saner, sounder, more satisfying to the nation at large than was the financial legerdemain of recent sessons. But it won't be achieved with less chatter, more speed, or thinner "Congressional Records."

* * *

Republicans will be in no position to steamroll legislation to enactment. They lack cohesion, a common purpose. Further, they lack the tough goadsmen of the pre-New Deal era when the Longworth-Tilson-Snell triumvirate told House Republicans how to vote or else. Being destitute of such factors, they will find it expedient to logroll and dicker with insurgent Democrats.

* * *

Republicans assume control of Senate and House with party peace almost nil. At national headquarters, Chairman Carroll Reece nimbly makes enemies, loses friends by capricious judgment, timorous policies. In the Senate, younger Republicans are mad because the oldsters grab all choice jobs for themselves. In the House, the leadership imbroglio has ended post-election handshaking. This all sifts down to one conclusion: no legislative program can be bullied to enactment, rather must travel slowly, compromisingly and amendedly to the White House.

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Nationalization Threat Slows Foreign Investment in Italy

By ANTONIO GIORDANO

M. Giordano points out great need for foreign capital, estimated at 70 milliard liras. Greatest demand by electric companies; but also by auto, ship-building, and general construction and equipment, industries. Negotiations for foreign capital previously underway, are now stalled by threatened nationalization. Latter policy may be prevented by resultant burdensome drain on Treasury.

MILAN, ITALY—The question of investment of foreign capital in Italy is of paramount importance to Italian businessmen. They estimate financial requirements needed for the developing of home industry by funds secured abroad, at 68 or 70 milliards of lire. A large share of this sum would be used by electic companies upon whose increase in capacity rests the economic reconstruction of the country. Overseas coal strikes have reduced coal imports and jeopardized revival; for this reason it is necessary to organize output of home fuel. Unless this is done and both fuel and hydroelectric output placed on a basis sufficient for national power demands, the event of the emergency could curtail any reconstruction program. Plans have been completed to ensure adequate home supply of power of approximately 30 milliards kwh. annually. To accomplish this will require new electric centres and an outlay of 460 milliards of lire. So vast a project cannot be acieved with only Italian funds and consequently loans must be negotiated abroad.

Other industries in need of assistance by foreign investors are: automobile, shipbuilding and all works necessary for the rebuilding of leading towns and public works. Moreover, railways and port facilities must be reconstructed. Today, existing tramways and bus services are no longer adequate to maintain traffic needs of Milan, Genoa and Rome. In those areas large portions of the populace has been displaced from the cities and has migrated into the suburbs. This shift means the daily transportation of workers and carrying out of projects for building underground railways so that workers may be moved more speedily to their daily tasks.

Negotiation with Swedish and Swiss Capitalists

Important financial negotiations between Italian and non-Italian capitalists have taken place. Both

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Observations . . . .

By A. WILFRED MAY

UN's "RUSSIAN NEW YEAR"

Although Russia does not begin her own New Year until Jan. 14, the year 1947 for the United Nations will be Moscow-dominated right from Jan. 2 on. For the dependence of UN progress on Russia's behavior will be immediately keynoted by her atiitude toward atomic bomb control.

A. Wilfred May

Unfortunately, her continuing attitude toward the proposed and adopted atomic energy measures—encompassing the entire world armament question—is both bewildering and discouraging the public. The pious resolution passed by the 54 nations in the General Assembly, calling for a world-wide reduction of armaments in lieu of a balance-of-power peace, must remain mere words in the absence of confirming *deeds*. But at the first instance in which a deed of implementing action is called for, the Russians stand in obstruction against their "Allies."

The Russian attitude is wholly illogical as related to the other Powers, and wholly absurd *vis-a-vis* the United States. Related to the other Powers—in insisting that a willful violator of the treaty shall be legally protected from the consequences of violations of its terms, the Russians are overlooking the fact that no country is, in the first place being forced to join the control plan.

In its attitude toward the United States:—it has through colossal bluff and/or nerve maneuvered the United States into appearing to negotiate over details. But actually, Russia is not only demanding that the United States turn over its exclusive secret—which it is most generously willing to do—but additionally demanding that she have the right to disregard the rules for its joint use, and thus to make the joint contract, to which she herself has contributed nothing, not worth the paper on which it is written. Stripped of all communist-front "Wallace-isms," Mr. Baruch's position merely is insistence that if the United States, as the sole possessor of the weapon's manufacturing know-how, is willing to pool its knowledge and itself to submit to a rule effecting the necessary safeguards; then a country not having the bomb nor the knowledge, should at least act likewise. But Mr. Gromyko is placing himself in the position of the recipient of a gift complaining that it is not large enough.

But, unfortunately, it is not only with regard to the armament issue, but with respect to every international issue that arises, that the Russians continuingly evidence no basis for confidence in consistent cooperation from them. Thus, the "audience" at the international scene, including the reading public and the actual observers at the Council of Foreign Ministers and at the United Nations sessions, is completely bewildered by the succession of contradictory manifestations of polity emanating from the Soviet. These include both inconsistencies *between* her individual representatives, as well as successive self-contradictions by single individuals. Thus, Generalissimo Stalin has recently become known as "the appeaser" from Moscow while his Foreign Minister, Mr. Molotov, is simultaneously hurling his lethal verbal blitzes in Paris and New York, Mr. Gromyko is staging his walk-outs and filibustering in New York, and lesser Soviet committee members are blocking concerted action almost by rote.

In line with Mr. Molotov's recent notes of sweet reasonableness (so hopefully hailed in our press) and Mr. Gromyko's recent ab-

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Firm Name Is Now Lee W. Carroll & Co.

NEWARK, N. J.—John B. Carroll & Co., 24 Commerce Street, announce that the firm name has been changed to Lee W. Carroll & Co.

Reilly With Link, Gorman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Lambert E. Reilly has become associated with Link, Gorman & Co., 208 South La Salle Street. Mr. Reilly previously for many years was with Leason & Co.

Edward G. Daniels Dead

Edward G. Daniels, Vice-President and Treasurer of Lobdell & Co., 20 Exchange Place, New York City, died while on a vacation in Phoenix, Ariz.

72 NYSE Firms Form Committee to Fight Issue of Permissive Incorporation

By EDMOUR GERMAIN

In endeavor to rebut contentions of proponents of plan, firms authorize participation by partners on committee headed by Walter Maynard of Shearson, Hammill & Co. to publish informative booklet and chart on issues involved and otherwise to be instrumental in opposing passage of the amendments.

Seventy-two firms affiliated with the New York Stock Exchange have authorized participation by partners on a committee which has been formed to fight passage of the so-called permissive incorporation amendments to the Exchange's constitution.

This committee which is headed by Walter Maynard of Shearson, Hammill & Co. has launched its career with the publication of an informative booklet entitled, "Partnerships or Corporations?" which give what the Committee feels is very impressive and forceful replies to certain claims in favor of permissive incorporation which have been made by the committee of the proponents headed by Amyas Ames of Kidder, Peabody & Co.

The Maynard committee, though it has just come into being, does not believe that need for its existence will continue for long because it feels certain that the Board of Governors of the Exchange will decide very soon now not to refer the question to the entire membership for a vote. Since the Board usually acts on matters of policy at its first meeting of the month, it would ordinarily take up the issue today inasmuch as it has announced it would consider the proposition immediately after the first of the year but because of the holidays it is understood, it will probably postpone further consideration of the question another month at least.

Discussion on the question of permissive incorporation among the members of the Exchange and the partners of the firms with which they are associated has become listless in recent months, aside from the efforts of the Ames committee through pamphlets and personal solicitation to arouse interest in the issues involved but the Maynard men felt, now that a decision on the question is due a few very pertinent facts should probably be brought to the attention of all the members of the Exchange.

Agitation for permissive incorporation, according to the opponents, has been coming largely from junior partners who are under the impression that incorporation would help them to build up their equity in the business. As they see it, the partnership discourages the formation of capital. They think that the tax laws favor the corporation and they would like to see their firms incorporated so that they too might reap the benefits which these laws provide. However, the Maynard committee disputes this contention, pointing out in the accompanying table (see below) prepared for the booklet by Haskins & Sells, the tax advantage for the junior partners and for all partners earning up to about $50,000 a year is entirely on the side of the partnership.

The booklet covers six major points which the Maynard committee is attempting to impress upon every member of the Exchange. The first point which is that tax considerations generally favor partnerships and the sixth point that incorporation is really disadvantageous to junior partners are illustrated in the data given in the table. Regarding the first point, the booklet also has this to say, "A number of firms have had the tax aspects of incorporation carefully examined by their accountants or lawyers. The conclusion is that due to the double taxation imposed when corporate profits are distributed as divi-

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The "Undervalued" Sterling

By PAUL EINZIG

British foreign exchange expert holds acceptance by International Monetary Fund of currency parities reported by members grossly overvalues these currencies in relation to Sterling and will entail a change of British policy, since it will increase British trade deficit and accentuate rising prices. Sees tendency toward further international disequilibrium, and criticizes International Fund as taking the line of least resistance. Predicts many nations, for their own advantage will in year or two seek lower value of their currencies.

Until recently it was the nightmare of British economists and government officials that, as a result of the rigidity of exchange parities introduced by the Bretton Woods plan, Sterling might become overvalued. With the memory of the disadvantages suffered through the overvaluation of Sterling between 1925 and 1931, British opinion was very much alive to the danger of a repetition of that experience on a much larger scale. It came, therefore, as a surprise to many that the first important act of the International Monetary Fund should produce a menace from an exactly opposite direction, that of the undervaluation of Sterling.

Dr. Paul Einzig

There can be no doubt that, by accepting the rates declared by the member Government, the Fund gave its blessing, in a great many instances, to parities at which the currencies concerned are grossly overvalued in relation to Sterling. The significance of this state of affairs is only beginning to be realized at the Treasury which in 1925 was thinking in terms of 1913 and until recently was thinking in terms of 1931. During the '30s the Treasury officials became so accustomed to regard undervaluation an absolute blessing and overvaluation an absolute evil that it takes a little time for them to realize the change in the situation that calls for a change in their policy.

During the '30s the main apparent advantages of undervaluation were as follows: (1) it stimulated exports and corrected the adverse trade balance; (2) it created employment by exporting unemployment, and (3) it tended to safeguard the internal price level against declining in sympathy with the world-wide deflationary trend.

In conditions prevailing now none of the above considerations hold good. Britain's exportable surplus is limited, and no amount of stimulus through an undervaluation of Sterling could increase the total quantity of exports. On the other hand, if Sterling is undervalued it means that less foreign exchange is obtained for the same quantity of exports. So far from improving the trade balance,

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Sees Continuance of Good Business

Business Survey Committee of National Association of Purchasing Agents, headed by George E. Price, Jr., of Goodyear Tire & Rubber Co., holds business is gaining stability, and barring major difficulties, industrial production should go along satisfactorily. Sees no runaway prices, but says unbalanced inventories are still major problem. Looks for decline in mercantile and commercial inventories and reports employment as "taking a decided jump."

Industrial buyers in the United States and Canada are of the general opinion that business is good and should continue good for some time unless disturbed by conditions in other parts of the world, according to a report of the Business Survey Committee of the National Association of Purchasing Agents, headed by George E. Price, Jr. of the Goodyear Tire and Rubber Company.

George E. Price, Jr.

The report states that "Business appears to be gaining stability and, in this respect, is better than at any time during the past year. Barring major labor difficulties, industrial production should go along very satisfactorily.

"Business volume may decline somewhat, but what remains will be on a sounder basis, and probably more desirable. To industrial purchasing agents, the future looks good—and from all indications, they believe it will continue so for some time to come.

Commodity Prices

"Commodity prices again are reported advancing, but very slightly over a month ago. Higher prices appear to result largely from higher wages. There are, of course, instances where prices are running wild, but industry is successfully resisting any such tendency; and, reports generally accept prices as being reasonable under present conditions. No runaway market seems in the making.

"Reports indicate that, in spite of the continued gradual trend upward, the rate of increase has slackened, and we are approaching a leveling off of commodity prices, and, perhaps, a turn down. This, of course, could be very adversely influenced by another siege of strikes and labor disturbances.

"Canadian buyers report a steady climb in prices, particularly on imports. There are, however, evidences that heavy production in the United States, plus the farm production carry-over, may have some softening effect on prices.

Inventories

"There is practically no change in the general inventory situation over a month ago. Only one reports a higher inventory, and only two report a lower position. The unbalanced condition of inventories still appears the major problem. Until this condition is eliminated, and a more normal supply of all items is available, there is little chance of arriving at a satisfactory inventory position in industry. Buyers continue to make every effort to reduce inventories, especially on high dollar items. A conservative policy on raw materials seems particularly advisable. Mercantile and commercial

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The Facts vs. the Nathan Report

By RALPH ROBEY*

Chief Economist, National Association of Manufacturers

Dr. Robey attacks Nathan Report on ground: (1) he ignores and omits facts which do not help his case; (2) he deliberately makes comparisons which do not square with actual facts; (3) he picks estimates out of air and presents them as facts. Points out in 1944, Mr. Nathan, in a book, stated prices increase when labor costs increase and that prices cannot be arbitrarily held down without disrupting competitive forces when wages are raised. Dr. Robey concludes, if prices are reduced (as trends now indicate), everyone, including labor, will benefit, but if prices are held down and wages are increased, everyone suffers, except few getting raises.

Mr. Nathan says: ". . . total corporate business can support a 25% increase in wages . . . without any further increases in productivity, without any further expansion in volume, and without reducing the return after taxes on net worth to a rate below that of 1936-39."

Ralph W. Robey

Upon the basis of this "fact," which the CIO paid Nathan $12,000 for finding, Philip Murray, head of CIO, says: This Nathan Report will be the "guidepost" for CIO's 1947 campaign for higher wages.

That is the challenge thrown by the CIO-Nathan-Murray team at American Industry and the American public. Those who have some familiarity with economic facts—editorial writers, columnists, commentators and others—immediately began questioning this "bootstrap" theory. They must have sensed that the whole Nathan case as to the ability of business to raise wages without increasing prices is based solely upon:

1. Nathan's guess as to what business profits would be in the last quarter of 1946, and

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*This analysis of Dr. Robey's was issued by the National Association of Manufacturers on Dec. 30, 1946 and was the basis of his remarks at a press conference in Washington the same date. The Nathan Report can be found in "The Chronicle" of Dec. 19, p. 3209.

New Firm to Specialize In Railroad Securities

Patrick B. McGinnis, partner of the newly established New York Stock Exchange firm of McGinnis, Bampton & Sellger, announced the firm will specialize in railroad bonds and stocks, in addition to transacting a general brokerage business. Members of the firm, all of whom were partners of or associated with the dissolved firm of Pflugfelder, Bampton & Rust, specialists in reorganization railroad securities, are Benjamin E. Bampton, member of the New York Stock Exchange; C. Warren Caswell, James O'Donnell, Henry Oetjen, John G. Preller, Hugo E. Sellger and Mr. McGinnis. Offices are located at 61 Broadway, New York.

Patrick B. McGinnis

Formation of the new firm was previously reported in the "Chronicle" of Dec. 19.

Colmer Committee Recommends Self-Sustaining Germany

House Committee on Postwar Economic Policy wants U. S. to take positive leadership in European reconstruction. Condemns Russia's policy in stripping occupied zones of resources, and lays down eight suggested actions to be taken in restoring normal international economic relationships.

The special bi-partisan House Committee on Postwar Economic Policy released on Dec. 30 a report calling on the United States to assert "positive leadership" in European economic reconstruction and warned that America "cannot rest content with merely occupying its present zones and distributing relief."

Wm. M. Colmer

The report submitted by William M. Colmer (D-Miss.), Chairman of the Committee, added that unless this nation does offer definite guidance in Europe, the fate of that Continent "may be determined by default."

Issued as a supplement to the committee's final study released Dec. 11, the report declared that world political stability is necessary before international trade "can rest on firm foundations" and offered many recommendations covering short-term as well as long-range problems affecting European recovery.

The committee included proposals concerning transportation, fuel, raw materials, communications, freedom of travel, movement of persons, relief organization, loans, banking, finance, foreign trade, Russian economic organization, German reconstruction, American surplus property disposal, and U. S. policies regarding relationships with monopolistic state trading systems.

Russian Policies Analyzed

After devoting considerable attention to relationships with Russia, the report contended that economic cooperation with the U.S.S.R. will become "reasonable and proper" only when the Soviet Union has indicated it will live up to its agreements especially the Potsdam declaration that "during the period of occupation Germany shall be treated as an economic unit."

The report said that Russia has systematically stripped its occupation zones of production machinery as well as natural resources, has broken war-time promises, interfered with the internal governments of smaller European countries, and consistently sought to spread its domination over the Continent.

Thus it is imperative, the committee continued, that the United States lead the way to assist in the "emergence of democratic institutions and of economies which meet the needs of the peoples concerned."

Protection of Atomic "Know How" Urged

Congress also was urged to investigate the establishments of additional controls on the export of American scientific, technical, industrial and military "know-how"—especially that pertaining to atomic energy.

In addition the committee recommended that Russian diplomats and "technicians" be admitted to this country and to U. S. occupation areas only on a strict reciprocal basis. At present, the committee said, there are understood to be more than 1,200 Russian representatives in this country compared with less than 200 Americans in the U.S.S.R.

(Continued on page 32)

A. S. Johnson Quits ODT

Will become a Mississippi Port Director

WASHINGTON, Dec. 31 (Special to the "Chronicle") — ODT today announced the resignation of Mr. A. S. Johnson, who has been Assistant Director of Railway Transport. Mr. Johnson leaves ODT to become director of the Port of Gulfport, Miss.

Mr. Johnson's services as a staff member will be concluded on Dec. 28. However, arrangements have been made with the Port Commission to permit Mr. Johnson to remain in Washington to assist Colonel Johnson until grain export for the world food program has passed the critical stage.

Mr. Johnson's most recent assignment was in connection with the world food program which, as a result of the maritime strike, had become badly delayed.

Mr. Johnson came to the Office of Defense Transportation in April, 1942.

International Monetary Problems

Committee on Monetary Relations of the International Chamber of Commerce presents a statement of principles to governments and to international monetary institutions. Sees immediate danger in most countries of continued inflation and outlines non-monetary as well as monetary causes. Urges all countries adhere as soon as possible to Bretton Woods institutions and to adopt stable exchange rates as well as a free exchange of goods and services.

The International Chamber of Commerce has released a draft resolution adopted by its Committee on Monetary Relations at its meetings on Nov. 27 and 28, and has submitted it to the governments and to the international monetary institutions concerned. The Report is a statement on the principles of monetary policy recommended as most appropriate to the present world situation. The text is as follows:

1. The present generation, which has twice experienced wartime inflation and in the inter-war period a disastrous deflation, should be only too well aware of the damage caused by monetary disturbances. *The immediate danger in most countries is now one of continued inflation.* This danger must be countered. With that end in view, the Chamber submits the following observations and suggestions.

(i) To a considerable extent, the upward tendencies of prices is due to *non-monetary causes,* arising mainly from destruction and disorganization brought about by the war, such as the shortage of goods, deficient production and the rising costs largely attributable to higher wages. Among the most essential tasks are an increase in the production of power, a general recovery in efficiency, and firm measures to avoid the vicious spiral of rising wages and prices. It should now be clear everywhere that until sufficient supplies become available, an attempt to improve the people's standard of living merely by raising money wages is doomed to failure for it will simply lead to a rise in prices which will tend to imperil the integrity of national currencies.

(ii) But in many countries inflationary pressure is still largely the result of *monetary causes* in the form of large accumulations of purchasing power continually increased by deficit financing and a policy of excessively cheap money, which involves the monetization of debts and artificially increases the money valuation of capital assets.

(iii) Therefore, the first task is to arrest the increase in buy-

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A National Labor-Management Conference Needed

By WALTER P. REUTHER*

President, United Automobile Workers, CIO

Prominent labor leader, asserting 1947 challenge is to find way to a free economy that provides all with necessities of life without robbing them of basic freedoms, proposes a labor-management conference to consider, among other things, (1) breaking of bottlenecks preventing maximum production; (2) voluntary system of allocation of scarce materials; (3) means of breaking wage-price spiral; (4) means of establishing guaranteed annual wage; (5) provision of hospitalization and old age care; (6) a tax program to keep full production; and (7) a joint committee to find means of transforming technical progress into social progress.

By voluntarily assuming the joint responsibility of meeting and solving the problems that confront our nation American labor and management in the coming year can avoid another depression, can avert major industrial strikes and can lay the foundation for a full employment, full production, full consumption economy.

Walter P. Reuther

Our challenge in 1947 is to find a way in America to create a free economy that will provide all the people with the necessities of life without robbing them of their basic freedoms. We must find a way to feed our stomachs and clothe our backs without putting our souls in chains.

If we cannot do this in America, then it cannot be done anywhere else in the world.

If labor and management do not carry out voluntarily their joint responsibility then a super-state will arise and do it for us. That would mean the end of both free labor and free management, for one cannot exist without the other.

Many of us in labor believe the first step toward assuming this joint responsibility is the calling of a national labor-management conference that would take positive steps to unsnarl our economy and check our drift toward depression.

This would have to be a down-to-earth working conference that would get its teeth into the basic problems that plague our economy today. It would have to be a voluntary conference into which all participants would enter with a willing determination to find practical solutions to practical problems.

An Agenda for a Conference

Here are some of the problems that kind of conference, to be effective, would have to consider:

1. The breaking of bottlenecks now preventing maximum production, because high and sus-

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*Statement issued by Mr. Reuther, Dec. 29, 1946.

Fallacies of Nathan—CIO Assertions

By EMERSON P. SCHMIDT*

Director, Economic Research Department
Chamber of Commerce of United States

Dr. Schmidt attacks validity of Robert Nathan's Report for CIO, which claimed wages could be increased 25% without necessitating price increases. Points out statistical defects in report and denies present business profits are abnormally high. Says profits as well as wages suffer from reduced dollar buying power and concludes without profit-motive there would be no wages.

Through the use of selected statistics, CIO labor leaders and their paid economic consultant are attempting to convince the public that profits and prices have overtaken wages and that wages now can be raised by 25% without any price increases.

Dr. E. P. Schmidt

A year ago we were told by the same people, through government channels, that wages could be increased by 24% without any price effects. That claim proved to be wrong. Now the public is likely to look twice before swallowing the version of statistics just poured out.

The CIO, not content with a steady stream of unprecedented strikes and production interferences since VJ-Day, now is engaged in a gigantic conspiracy to grab the nation's production gains for its members in the form of another wage increase, the second since war's end.

We must ask what assurance can the CIO furnish to the American consumer that the demands for another round of wage increases will not again translate themselves into equivalent price increases?

Real Wages Are Up

Since VJ-Day, it is true, prices rose more rapidly than wage rates. This occurred because during the war prices were artificially suppressed while wage rates were much freer to rise. From 1939 to VJ-Day consumer prices rose by 30% while factory hourly wage rates rose by 58%, according to the Department of Labor. The CIO, by concentrating on the events of 1945 to date, overlooks the fact that during the war the rise in wage rates was almost *twice as fast* as the rise in the cost of living index, 58% as against 30%. The CIO uses these inflated wartime wage rates as a base and of course it can show that since VJ-Day prices have struggled to come into balance

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*Reprinted from "Business Action," Dec. 23, 1946, published by the Chamber of Commerce of the United States.

Trade Agreements Program Believed in No Danger

By HERBERT M. BRATTER

A government official and Congressional leader, in interviews with correspondent, find unwarranted the growing pessimism concerning accomplishment of freer trade. Suspension of imminent trade negotiations demanded of Under-Secretary Clayton by Senator Butler. Representative Crawford terms this reflection of Congressional "talk and talk."

WASHINGTON, Dec. 31—In recent days and weeks a rash of attacks on the trade agreements program has featured the American press. Various members of the Congress, such as Senator Hugh Butler of Nebraska and Representative Daniel Reed of New York, have been reported as preparing to take up arms against the program. Various private business and labor organizations have joined the hue and cry. Typical is the following news headline in a New York newspaper of Dec. 26: Textile Workers Union Files Arguments Against Lower Import Tariffs; Tells Government Committee Foreign Nations' Subsidies Make Unfair Competition.

Herbert M. Bratter

To learn how the Administration views these news reports, which without doubt must make friends of the trade agreements program uneasy, the writer turned to an official closely interested in the subject, and was reassured. The official stated:

"Newspaper stories of the past two or three weeks may indeed give the erroneous impression that a wave of opposition to the reciprocal trade agreements program is sweeping the country and that the new Congress must inevitably repeal the legislation or

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IBA Urges Easing of Margin Trading Curb

Its President, Edward Hopkinson, Jr., sends Chairman Eccles of Federal Reserve Board copy of resolution recently adopted by its Board of Governors, in which is pointed out there is now no danger of excessive use of credit. Sees free flow of capital and market liquidity hampered by margin restrictions.

In a resolution made public on Dec. 27, which was sent to Chairman Eccles of the Federal Reserve Board by Edward Hopkinson, Jr., President of the Investment Bankers Association of America, the Board of Governors of the IBA strongly urged modification of present restrictions on margin trading in listed securities in order to facilitate distribution of new security issues.

E. Hopkinson, Jr.

The text of the resolution recently adopted by the IBA board, and which was sent to all members of the Federal Reserve Board in addition to Mr. Eccles, is as follows:

"The Board of Governors of the Federal Reserve System, in January, 1946, eliminated additional extension of credit for the purchasing or carrying of listed securities.

"This action of the Board was presumably taken, under the conditions then prevailing in the securities markets, to prevent the excessive use of credit for the purchase or carrying of listed securities.

"Conditions now prevailing in the markets for both listed and unlisted securities are vastly different from those prevailing in January of this year.

"Under present conditions, there is inadequate credit lawfully available to provide a healthy and liquid market for listed securities.

"A healthy market for listed securities profoundly affects public reception of new issues which provide the new capital needed by commerce and industry.

"Without the free flow of capital into commerce and industry, there cannot be maximum production, maximum employment and an ever rising standard of living.

"The New York Stock Exchange and other national securities exchanges have themselves placed in force precautionary measures against the excessive use of credit where such control may still be needed, that is, they are requiring that low priced securities be paid for in full.

"Now therefore, be it resolved, that the Board of Governors of the Investment Bankers Association, which represents the investment banking branch of the securities industry in all parts of the country, strongly recommends to the Board of Governors of the Federal Reserve System that it restore appropriate collateral value to listed securities at an early date as a necessary and important measure to aid in broadening and improving the secondary securities market, and thus in turn to assist in the flotation of new issues to provide the much needed capital for industrial expansion, maximum employment and maximum production."

A. J. Martin Is V.-P. Of U. S. Trust Co.

Williamson Pell, President of United States Trust Company of New York, announced that, at a meeting of the Board of Trustees, Augustus J. Martin was appointed a Vice President of the bank. Mr. Martin was formerly an Assistant Vice President.


Augustus J. Martin

Also, at the meeting, Henry G. Diefenbach, formerly an Assistant Vice President, was named Comptroller; Frederick N. Goodrich and William A. W. Stewart, Jr., Assistant Secretaries, were advanced to Assistant Vice Presidents and George P. Jochum was appointed Auditor.

Jan Masaryk to Address N. Y. Chamber

Jan Masaryk, Foreign Minister of Czechoslovakia and Chairman of his country's delegation to the General Assembly of the United Nations, will be the guest of honor and speaker at the monthly meeting of the Chamber of Commerce of the State of New York on Jan. 9, next. Peter Grimm, President of the Chamber, will preside at the meeting which will be held at 12 o'clock noon at 65 Liberty St. The January meeting of the Chamber is being held on the second Thursday of the month, instead of the customary first Thursday, because the latter date is the day after New Year's.

Nominated for Posts In S. F. Stock Exch.

SAN FRANCISCO, CALIF.—Earl T. Parrish, Earl T. Parrish & Co., chairman of the board of the San Francisco Stock Exchange, has been nominated to continue in that office for the ensuing year. Frank M. Dunn, Coons, Milton & Co., and Arthur N. Selby, Sutro & Co., both members of the board, have been nominated for two-year terms. V. C. Walston, Walston, Hoffman & Goodwin has been nominated for a one-year term.

The annual meeting and election will be held on Jan. 8.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Dec. 17 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $33,940,000 1% consolidated debentures dated Jan. 2, 1947, and due Oct. 1, 1947. The issue was placed at par. The proceeds, together with cash in the treasury were used to retire $38,950,000 debentures, maturing Jan. 2, 1947. As of Jan. 2, 1947, the total amount of debentures outstanding was $286,610,000.

Scott & Stringfellow To Admit Robertson

RICHMOND, VA. — Scott & Stringfellow, members of the New York and Richmond Stock Exchanges, will admit Walter S. Robertson to partnership in the firm on Jan. 2. Mr. Robertson has been associated with the firm for many years.

Truman Proclaims Hostilities' End

President, in year-end proclamation, erases about 20 wartime laws, but tells news conference action "does not end state of war, itself," and leaves still intact "state of emergency" decrees before the United States went to war.

At a press conference in the morning of Dec. 31, President Truman announced that he would issue a proclamation, effective at noon, declaring the period of hostilities was at an end and that he would recommend to Congress in the near future the cancelling of a number, though not all, national emergency laws. He reminded the reporters that the proclamation does not remove the state of emergency proclaimed by President Roosevelt prior to the war and that his action in proclaiming the end of hostilities does not, of itself, end the "state of war."


President Truman

It is believed, however, that, because of the President's proclamation, at least 20 wartime laws automatically come to an end, and, a number of others, including the Smith-Connally Anti-Strike Act, will cease to be in force after six months. In his statement referring to the proclamation, the President remarked that "This is entirely in keeping with the policies which I have consistently followed, in an effort to bring our economy and our government back to a peacetime basis as quickly as possible." The power to declare an end to most wartime emergency laws was vested in both the President and Congress. Either can act separately.

Text of Proclamation

The text of President Truman's proclamation follows:

CESSATION OF HOSTLITIES OF WORLD WAR II—BY THE PRESIDENT OF THE UNITED STATES OF AMERICA.

A PROCLAMATION

With God's help this nation and our Allies, through sacrifice and devotion, courage and perseverance, wrung final and unconditional surrender from our enemies. Thereafter, we, together with the other United Nations, set about building a world in which justice shall replace force. With spirit, through faith, with a determination that there shall be no more wars of aggression calculated to enslave the peoples of the world and destroy their civilization, and with the guidance of Almighty Providence, great gains have been made in translating military victory into permanent peace. Although a state of war still exists, it is at this time possible to declare, and I find it to be in the public interest to de-

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N. Y. "Herald Tribune" Increases Price of Weekday and Sunday Issues

Along with action taken by various newspapers in the Nation in increasing the prices of their issues to meet rising costs incident to publication, the New York "Herald Tribune" announced on Dec. 27 that beginning Dec. 30 the price of both its weekday and Sunday editions would be raised—the former from 3 cents to 5 cents, and the Sunday issue from 10 cents to 15 cents. In its notice to its readers of the higher price schedule, the "Herald Tribune" said:

"This new schedule has been made necessary by the steadily increasing cost of publishing the paper during recent years. In 1938, at the time of the last price adjustment, newsprint cost $48 a ton; today the price is $84 a ton. During this period payroll and all other expenses have advanced in similar proportion. The great majority of American newspapers of much smaller content have already raised prices to those which will become effective for the 'Herald Tribune.'

"We believe that readers will recognize that this long-postponed action insures continuation of the most skilled craftsmanship in the publication of this newspaper."

Wm. Walthouse to Be Partner in Faroll Co.

CHICAGO, ILL.—William F. Walthouse will be admitted to partnership in Faroll & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges, on Jan. 9. In the past Mr. Walthouse was with Hoyne, Mellinger & Co., and was with Abbott, Proctor & Paine.

Weil & Company, Inc. Is Being Formed

NEW ORLEANS, LA.—Weil & Company, Inc., is being formed with offices at 830 Union Street to engage in the securities business. Principals of the firm were previously of Weil & Company.

Dealer-Broker Investment Recommendations and Literature

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

Canadian Bonds — Year-end Valuations in pamphlet form — Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Candidates for 1947 Market Leadership — Outlook for 1947 — in the **Fortnightly Market and Business Survey** — E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Capital Gains & Losses — Excerpt from internal revenue bulletin No. 25 — Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Chemical Industry — Analysis of production and growth in the current issue of "The Index" — The New York Trust Co., 100 Broadway, New York 5, N. Y.

Issue also contains a study of **Mineral Resources of the United States.**

Difficulties in Airline Financing —Memorandum in "Fortnightly Investment Letter" — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also contains data on **American & Foreign Power; Missouri, Kansas & Texas 1st 4s of 1990; Virginia-Carolina Chemical;** and a list of **High Grade Utility Bonds legal in New York State.**

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.

Portal-to-Portal Pay — Analysis of portal-to-portal pay and its effect on industry — Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Wall Street Commentator—Digest of current events in the financial markets—contains review of **Thermo-Namel, Portsmouth Steel, Textiles Inc., Palace Corp., Allen B. du Mont Laboratories** and **Magnavox Company**, etc.—Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

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

Also available is an analysis of **Title Guarantee & Trust Co.** and a study of **A. S. Campbell Co.**

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.**

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

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

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

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

D. L. & W. — Lackawanna RR. of New Jersey — Analysis — B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

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

Gruen Watch Co.—Memorandum — Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Northern Indiana Public Service Co.** and **Philip Carey Manufacturing Co.**

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.**

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

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

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

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

Rockwell Manufacturing Co. — Research item — Goodbody & Co., 115 Broadway, New York 6, 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.

Standard Stoker Co. — Memorandum — G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

United Brick & Tile Co.—Bulletin—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

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

Edward Nelson With Cruttenden & Co.

CHICAGO, ILL.—Cruttenden & Co., 209 South La Salle Street, members of the New York Stock Exchange, announce the association with their firm of Edward H. Nelson as a registered representative, specializing in securities of the furniture industry. Mr. Nelson was formerly eastern Sales Manager of the Caswell-Runyan Division of International Detrola Corporation.

Edward H. Nelson

With Merrill Lynch Staff

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—Albert E. Gordon is now connected with Merrill Lynch, Pierce, Fenner & Beane, Circle Tower.

Joins Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Roy J. Chaffin has become affiliated with Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

Finds Decline in National Income Growth

Dr. Kuznets, in study made for National Bureau, concludes that growth of total national income, and also per capita rate, have declined over past 25 years. Attributed partly to decline in rate of growth of labor supply as represented by the gainfully occupied.

Evidence of a decline in the rate of growth of total national income and of national income per capita in the United States is reported by Simon Kuznets, Professor of Economics and Statistics, University of Pennsylvania, in a monograph just recently published by the National Bureau of Economic Research. This report summarizes 25 years of investigation and analysis of national income by the National Bureau.

Simon Kuznets

Surveying data for 1869-1938, Dr. Kuznets says in the report, "National Income: A Summary of Findings," that continuation of past trends would mean a decline in the rate of growth of national income and probably also of national income per capita. The decline in the rate of growth of the latter would be moderate or sizable, depending upon how one interprets the long run significance of the 1929-32 depression and the incomplete recovery from it.

Rapid Growth in National Income Before World War II

Accompanying the industrialization of our country, national income and population grew rapidly during the 60 years before World War II.

Since 1869, national income has grown at the rate of almost 19% per five-year interval, population at more than 9% and income per capita at 8.5%. From the first decade, 1869-78, of the 60-year period to that of the last, 1929-38, national income multiplied almost eight-fold; population and income

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A Return to Fundamentals

By WM. A. SPANIER

Bennett, Spanier & Co., Inc., Chicago

Investment dealer decries wave of pessimism and asserts 1947 will usher in era of prosperity.

Never to our knowledge have events changed so quickly as in the past year. We have seen a market break and a period of pessimism grip the country—why, only the good Lord knows.

Market experts appeared suddenly from nowhere by the dozens with "We told you so." Major Hootnaney for $5 will tell you what not to do, and for the small sum of $200 will give you a personal interview. The chart makers and the index readers sit around by the hour with their chins scraping the floor, drawing fine lines and playing with tinker toys. All of a sudden radio commentators have become market experts. Some guy with long hair and a fancy name will appear as a great economist and I'll bet my last year's overcoat these theorists never earned a dollar the hard way in their life, ran a business or had to meet a payroll. This reminds me of the spinster social worker who tells the mother of eight healthy kids how to have and raise children. These experts advise you to sit on the side lines and do nothing, and before you know it you are paying out your hard earned dollars for their tout sheets. The next thing you know you will be buying a dream book—and then to the poor house.

All this is not strange considering that we had the New Deal and all its crack pots in Washington for the past 14 years — with their do-nothing and get overtime pay for it—a quart of milk for every child in the world—kill the little pigs—and don't grow anything. To quote from my good friend, Andrew J. Higgins, "The gloom men are now trying to take over."

Now, let's go back to fundamentals. They are as sure as day following night. They apply to everything in life—to your way of living — your religion — and your method of doing business.

On Nov. 5 of this year, it looked as though the American people decided to go back to fundamentals. In my opinion, we in the investment business haven't done our share to dispel the wave of pessimism which started to grip the country about 30 days ago, but which since is commencing to evaporate into thin air. About two weeks ago, we noted figures that the national income for 1946 would be about $163 billion. Does this signify depression—or even a mild recession? The answer in our language is NO.

The laboring men in the country will get rid of their dictators, the same as the people got rid of the crack pots on Nov. 5. We predict that management and labor will work more smoothly in 1947 than they have for a good many years, and our reason for this is—FUNDAMENTALS. It is our opinion that 1947 will usher in the greatest era of prosperity this country has ever known.

Britain Bases Peace Policy on UN

By ERNEST BEVIN*

British Secretary of State for Foreign Affairs

In radio broadcast, Britain's Foreign Secretary states his nation's position in efforts toward universal international peace. Says British future relationship with world is on basis of an effective United Nations. Says war has left Great Powers predominant and peace depends on harmony between them. Sees different economic systems no barrier and cities Britain's efforts at pacification in parts of world not affected by pending peace treaties. Denies Britain is tied to policy against Russia but sees cooperation with all.

First of all, allow me to extend to you my warmest greetings for Christmas and best wishes for the New Year. I had hoped to be back from New York in time to have given a full report to Parliament in connection with this task of peacemaking, but unfortunately the conferences were not finished.

Ernest Bevin

But I realized the anxieties felt by everyone since the close of the war as to the future destiny of our own country and the Commonwealth and Empire and the general peace situation.

The many conferences and failure to reach finality must, I know, have caused you many anxious moments. Therefore, I think it essential to try to make clear as briefly as I can some of the problems which have had to be faced. You must realize that when war is declared, all the machinery of international relations, which is the result of years of effort, is broken.

It is very much like seeing a fine machine working with its perfect rhythm when at one blow the essential parts are destroyed, and the whole process which keeps the world in even motion goes. And another force takes hold. The whole world gets in the grip of the war machine. The difference between the two situations is that while in the former instance, foreign relations are constructive, the second situation demands, in order to achieve victory, that the whole mind of the people is turned to destruction. And the more successful you are

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*An address broadcast by Mr. Bevin over British Broadcasting Corporation, Dec. 22, 1946.

World Bank Outlook Causing Congressional Dissatisfaction

Representative Crawford of House Banking and Currency Committee calls for meeting of Big Powers to eliminate the "bugs" so that institution can get underway. Chairman Spence indicates assent to reviewing articles of agreement. Clayton and other Americans insisting that new President be from United States.

WASHINGTON, D. C., Dec. 31 (Special to the "Chronicle")—Commenting Dec. 30 on the status of the World Bank as seen by a high-ranking member of the House Banking and Currency Committee which last year held lengthy hearings on the Bretton Woods program before approving it, Representative Fred L. Crawford (R., Mich.) stated to this writer:

Rep. Brent Spence

F. L. Crawford

"There is obviously something wrong with the blueprint of the World Bank as drafted at Bretton Woods. This has been apparent to many of us all along, but Congress passed the program intact, partly because it was then seeking international cooperation on all fronts and partly because the Administration insisted that even the change-of-a-comma in the Bretton Woods agreements would require another international conference and that the articles of agreement were beyond criticism.

"But it is now apparent that there are 'bugs' in the shiny new machine which must be eliminated by the only ones who have the power to do so—those who created it. This may require a calling together of the powers so that they may consider the defects of the

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Pflugfelder & Rust NYSE Firm Opens

William H. Pflugfelder, Adolf H. Rust and Sylvester P. Larkin, formerly partners of Pflugfelder, Bampton & Rust, announce the formation of the firm of Pflugfelder & Rust, members of the New York Stock Exchange, to deal as brokers in investment securities, with offices at 61 Broadway, New York City. Frank L. Hall, Danforth Cardozo and Robert J. Burns have become associated with the firm.

Formation of the firm was previously reported in the "Financial Chronicle" of Dec. 19.

Henry Goldsmith Joins Staff of Jacques Coe

Having served four years in the Intelligence Service of the Armed Forces, Henry Goldsmith will join the firm of Jacques Coe, 39 Broadway, New York City, members of the New York Stock Exchange, as of Jan. 1, 1947. During his military service overseas, Mr. Goldsmith was Director of the Intelligence Branch of the headquarters at the United Kingdom base. Prior to entering the Army, Mr. Goldsmith was with the Research Department of J. S. Bache & Co.

John Small Is Forming Own Inv. Firm in N. Y.

John Small is forming John Small & Co. with offices at 40 Wall Street, New York City, to engage in the securities business. Mr. Small was previously Manager of the Municipal Bond Department for Gruntal & Co.

With C. J. Devine & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Robert L. Meyers has joined the staff of C. J. Devine & Co., Inc., 135 South La Salle Street.

Unity for Progress

By HENRY A. WALLACE*

Editor, "The New Republic"

Outlining a "progressive" policy, Mr. Wallace stresses "more freedom, more education, more knowledge and more decent self-restraint," but asserts "we do not believe in excess of anarchic freedom which produces extremes of the "business cycle." Advocates both domestic and international economic planning and urges government, labor and business act together through President's Economic Advisory Council. Scores "Russia haters," a "conservative, high tariff Democratic party" and "lukewarm liberals." Advocates unity of progressive factions, but wants "this to be a genuine two-party country."

I am glad to attend this meeting of independent citizens who believe in progressive political action. You have invested your time and money to try to elect progressive Democrats in many a hard campaign. You have shared in many victories for good government. You failed in some of the fights which you put on last Fall, and most of you knew in advance that you would fail. But you went through with the fights because we had to keep the progressive torch burning. Battles have been lost, but there is a war to win. To keep progressive faith alive is, with us, not a matter of political expediency but of profound American conviction.

The fundamental progressive faith is so broad that we should not allow ourselves to be divided on any minor issues. The essence of the progressive faith as I see it is belief in the goal of peace, prosperity, and freedom in one world. Those who put hatred of Russia first in all their feelings and actions do not believe in

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*A speech by Mr. Wallace at a Convention of "Progressive Citizens of America," at the Hotel Commodore, New York City, Dec. 29, 1946.

The International Fund and Currency Parities

By CAMILLE GUTT*

Managing Director, International Monetary Fund

International Fund executive maintains general acceptance of currency parities as submitted by member nations at this time does not necessarily indicate these parities will be finally approved. Points out present disrupted conditions in world economic affairs prevents defintely fixing parities, and argues submission of parities now affords opportunity for Fund to advise and help nations stabilize their currencies, since Fund requires members consult with it when effecting changes in par value of their currencies.

By a decision taken today, the International Monetary Fund has expressed its agreement with respect to the currency par values proposed by thirty member countries. At the same time, the Fund has acquiesced in the wishes expressed by Brazil, China, the Dominican Republic, Greece, Poland, Yugoslavia, the Netherlands in regard to the Dutch Indies, and France in regard to Indo-China with a view to postponing the date for the fixing of the par values of their currencies.

Camille Gutt

What do these words mean? Economists, Technicians of Finance and Currency, everybody who has been studying the Bretton Woods Agreement and its developments, know the meaning. For them, no explanation is necessary. But there are a great many other people in the world who are interested, directly or indirectly, consciously or unconsciously, in this decision. Take an indstrialist or tradesman, big or small, or a depositor in a savings bank; whether they have heard of Bretton Woods or not, whether they know about the Fund or not, exchange stability means a lot to them.

It is to these people that I would like to explain, in very simple and plain words, the significance of the action taken by the International Monetary Fund.

The Bretton Woods Agreement, on the strength of which the Fund was set up, assigned specific objectives to it. The most direct of these objectives is the following:

"To promote exchange stability, to maintain orderly exchange arrangements amongst members, and to avoid competitive exchange depreciation."

The means given to the Fund

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*A speech by Mr. Gutt, broadcast over the British Broadcasting Corporation, Dec. 19, 1946.

Recent Stock Decline Temporary

By CHARLES A. TAGGART
Charles A. Taggart & Co., Philadelphia

Investment banker ascribes recent stock market decline to lack of margin trading, undigested new issues, and loose talk of depression, together with labor unions' wage demands. Sees recovery ahead with stock market highs in 1947 above 1946.

The recent stock market decline, in my opinion, was caused by the following:

1. Lack of margin trading which prevented the purchase of securities on a scale down. On a cash basis, the market has been very thin.

Charles A. Taggart

2. Undigested new issues of securities and the poor timing by underwriters as to their offering and pricing.

3. Continual talk of depression by certain government officials and *uninformed* radio and newspaper commentators which created doubt and fear, touched off the spark that caused the liquidation of securities and started a market break of over 25% in values. No basis for such predictions exists as there remains a hugh demand for goods and products of all kinds; this condition should continue for some time.

4. The stand taken by most labor unions in the constant demand for increased pay has added to the general confusion and uncertainty. This situation should be satisfactorily adjusted in the near future.

The decline we have had in the past three months is a temporary one; 1947 will, no doubt, have many uncertainties but also exceptional opportunities. Large pent-up demands still exist here and abroad. There is full employment, record savings, ample credit and the end of controls; these are powerful stimulants to business activity. Farm income is the highest in our history.

Tax reductions in the past have always had a very decidedly stimulating effect on business, followed by higher security prices. With the help of proper labor legislation and income tax cuts by the new Congress, the highs of the 1946 stock market could not only be equaled but surpassed in 1947.

Decker Now Officer Of Provident Trust

R. M. Decker, Manager of the Philadelphia office of Halsey, Stuart & Co., Inc., since his release from the Navy last year, has been appointed Assistant Vice-President in the Banking Department of the Provident Trust Company of Philadelphia. The appointment was announced by W. Logan MacCoy, President, following the action of the Board of Directors. Mr. Decker will assume his new duties Jan. 2. After his graduation from Carleton College, Northfield, Minn., in 1926, Mr. Decker joined the Chicago staff of Halsey, Stuart & Co., and later that year was transferred to the Philadelphia branch. He became Assistant Manager here in 1932, and remained in that position until he was called to active duty as an officer in the U. S. Naval Reserve in 1942.

Grasse With E. H. Rollins

E. H. Rollins & Sons Inc., 40 Wall Street, New York City, announce that Arnold Grasse has become associated with the firm.

Pennsylvania Brevities

The Time-Table for Pittsburgh Railways

As indicated by an order issued by the U. S. District Court for Western Pennsylvania Dec. 13, a specific "time-table" covering procedural steps to be undertaken in the reorganization of the Pittsburgh Railways Co. system has been published. Should it be possible to adhere reasonably to the schedule as set forth, it would appear that major problems in this involved reorganization may be resolved in a matter of months.

Legally, a great deal of dense undergrowth has already been cleared away.

Upon appeal, the U. S. Circuit Court of Appeals, last May, ruled that the District Court could and should assume jurisdiction over the properties of the underlying companies for the purpose of effecting a system-wide reorganization. This opinion was sustained on Oct. 14, last, when the U. S. Supreme Court refused to review the case. Remanded to the District Court, it has now been ordered:

1. That the reorganization henceforth proceed in accordance with the decision of the Circuit Court.
2. That the order of Nov. 7, 1945, providing for an investigation and examination into the existence of possible grounds for subordination or limitation of Philadelphia Company claims, be extended to include all underlying companies, and that "the said Trustee shall accord to the Securities and Exchange Commission and to any underlying company and its creditors and stockholders who may desire, an opportunity to suggest or indicate to him, in writing, any particular matter or matters which it is desired to have investigated."
3. The above investigation and examination shall be expedited and every effort made to conclude same not later than Jan. 31, 1947; and within 30 days after the conclusion, W. D. George, Trustee, shall file his report thereon.
4. The said Trustee shall prepare and file as soon as reasonably practicable, but not later than five months from the date of this Order (Dec. 13, 1946), such amendments to the "1942 Plan" as are necessary to reflect the Circuit Court's decision and such other changes as the Trustee may deem advisable.
5. Upon filing of the Trustee's report in respect to possible subordination of Philadelphia Company claims, the District Court will enter such further order as will appear appropriate to expedite the reorganization.
6. The Special Master is directed to proceed promptly with hearings on claims which have heretofore been referred to him, other than claims filed by Philadelphia Company and subsidiaries.
7. W. D. George, Trustee, is ordered to cause this Order to be printed and copies mailed to all parties at interest, including intervenors, the Securities and Exchange Commission and the Secretary of the Treasury.

The "1942 Plan"

Pittsburgh Railways Co. and its subsidiary, Pittsburgh Motor Coach Co., entered bankruptcy proceedings in May, 1938. Since that time, the unified transportation system, including some 53 underliers, has been operated by Trustees appointed by the bankruptcy court. Acting under instructions, the Trustees endeavored to write a Plan of Reorganization. In March, 1942, they filed in the District Court an "Amended Revised Plan of Reorganization." The proposed scale-down in capitalization provided for in this Plan had been approved by the Pennsylvania Public Utility Commission, but the distributions and allocations proposed therein had not been submitted to nor approved by the public security holders. In fact, no hearings were ever held on the Plan, and it soon came to be regarded as inappropriate and impracticable.

Nevertheless, this Plan represents the only document of its nature now on file in the District Court. Thus the court order referred to above provides a period not to exceed five months during which "revisions and amendments" may be filed. It is quite possible, even probable, that an entirely new plan may be written.

Enter the SEC

A hearing was held before the Securities and Exchange Commission in Philadelphia on Dec. 21 upon a proposed rule amending Rule U-49 (c) under the Public Utility Holding Company Act of 1935. At this hearing, the SEC signified a direct interest in the Pittsburgh Railways Co. reorganization. The adoption of the proposed rule will enable the SEC to intervene in the proceedings to the extent of approving, disapproving, amending, revising, vetoing or even re-writing any existing or proposed reorganization plan. Public holders of securities who have gone without income on senior and underlying issues for more than eight years are generally pleased to see the SEC intervene. They feel that the government body will see to it that the "public interest"—in this case, the rights of the minority security holders—will be safeguarded.

* * *

Philadelphia Co. To Dissolve?

In a 28-page release, dated Dec. 6, the Securities and Exchange Commission sets Jan. 21, 1947, as the date for a hearing at which Philadelphia Company will be required to show cause why an order should not be entered directing that Philadelphia Company liquidate and dissolve — unless it shall elect to divest itself of all its electric properties and to continue in business only as a gas utility company.

The analysis alleges the existence of many "undue and unnecessary complexities" in the corporate structure of Philadelphia Company. Among those specified

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Expansion of U. S. Conciliation Service

By EDGAR L. WARREN*
Director, U. S. Conciliation Service

Asserting the Government has turned back to private management and to unions right to make their own agreements, Mr. Warren describes plans of Labor Department to expand and develop existing machinery for conciliation. Says settlement of disputes should not interfere with nation's welfare or disrupt lives of communities. Stresses flexibility as keynote to Government's mediation efforts, and holds only power of a labor-management assembly under present set-up is that of persuasion.

We have just come through the worst year of industrial strife in our history. Time lost due to stoppages this year has tripled the previous record. Yet, even in this worst year, despite all the economic pains of reconversion, more than 45,000 agreements between employers and unions have been consummated peacefully without any interruption of work. The record proves that collective bargaining is working successfully every day. Our job is to help make it work better.

Edgar L. Warren

There were many reasons for the struggle we have been through this year. Various factors intensified the efforts of both management and labor. No one cause or no one side is ever wholly responsible for strife as widespread or as bitter as this year's difficulties. But, we are not here to assess blame or to review the past. We are here to face the necessities of the future. We are here to forge new tools, tools that will help adjust the relations between employers and unions without spilling sand into a very delicate mechanism.

For almost 16 months, your Government has been dismantling the greatest war machine ever assembled. Today, we have achieved freedom to bargain without Government restraint. This is the policy which President Truman has established. Today, no Government Board exists which, by directive, by order, or by edict, can tell any union or any employer what he shall or shall not write into an agreement.

But, as the Government has turned back to private management and to unions the right to make their own agreements, it has also handed to management and to unions the primary respon-

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*An address by Mr. Warren before the Labor-Management Assembly of the Philadelphia Area, Philadelphia, Pa., Dec. 23, 1946.

Sees "War Honeymoon" Approaching End

First National Bank of Boston holds same major forces that prevailed in other postwar periods dominate today and a correction appears inevitable. Points to slackening in sales, rapid increase and unbalance in inventories and the recent decline in the stock market as indicating end of sellers' market is near. Holds, however, depression will be mild compared with 1929 or with that after World War I.

In its current "New England Letter," the First National Bank of Boston discusses the business outlook and compares the present "lush period" with the postwar patterns of other wars. Commenting on the immediate outlook, the circular states:

So far, the features of this period resemble closely the postwar patterns of other wars, and particularly World War I. It is interesting to note that a business recession has followed within 18 months of the end of every great war — the Napoleonic, the Civil, the Franco-Prussian, and World War I. The same major forces that prevailed in the other postwar periods also dominate today, so a correction appears inevitable. This does not mean that this period will repeat the past postwar patterns. On the other hand, in making forecasts for the future it would be unwise to ignore similar past trends.

There are many maladjustments in the present situation, including the sharp spread in prices between agricultural and non-agricultural, between raw materials and finished goods, and between non-durables and durables. Likewise, there has been during the war and postwar period a maldistribution of income with some groups enjoying much more of an advance than others, while several million persons have had no gain in income since the war began.

In order to have sustained business activity, our economy must be in relatively good balance so that various groups can exchange goods and services with one another. When this does not prevail, our economy gets out of kilter and sooner or later an adjustment is necessary. This is a cardinal law of economics.

There are indications that the war honeymoon is approaching an end. This is shown by the filling up of the pipelines of distribution, growing buyers' resistance because of the strain on purchasing power, clearance sales during the Christmas season, decrease in night club business, decline in savings, shortening of commitments by industrial and trade buyers, passing of the peak in non-durable goods production and prospects of early slackening in sales, rapid increase and unbalance in inventories, and the recent sharp decline in the stock market.

The end of the sellers' market is near. By the middle of next year most types of goods, with the outstanding exception of some durable lines, may be in ample supply. A buyers' market will prevail, with subsequent sharp competition and pressure on prices.

Money Supply and Backlog of Demand for Goods

Some authorities hold that the tremendous money supply, coupled with the huge pent-up demand for goods, is a virtual assurance against any decline in busi-

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Bond Club of Buffalo Elects New Officers

The following officers were elected at annual meeting of the Bond Club of Buffalo, held Dec. 27, 1946:

President, F. Taylor Root, Dominion Securities Corporation; Vice-President, E. Douglas Howard, Schoellkopf, Hutton & Pomeroy, Inc.; Secretary, W. Douglas Hopkins, Hamlin & Lunt; Treasurer, Chester O. Gale, Trubee, Collins & Co.

F. Taylor Root

Directors elected were: Wm. G. Schoellkopf, Doolittle, Schoellkopf & Co.; Herbert Stearns, Schoellkopf, Hutton & Pomeroy; DeLancey Rochester, DeLancey Rochester Company, and W. Morgan Kendall, who, together with the officers and Harry W. Sharpe, Blair & Co., Inc., comprise the new Board.

Montgomery, Stone & Peyser Open New Firm

Announcement is made of the formation of Montgomery, Stone & Peyser, Inc., to engage in a general investment business, specializing in Railroad Securities. Benjamin F. Peyser is President; Lewis E. Stone, Vice-President; Hale L. Montgomery, Vice-President, and J. Francis Eckstein, Secretary - Treasurer. Frank J. Holcombe will be associated with the firm. Offices will be maintained at 57 William Street, New York City.

Messrs. Peyser, Stone and Montgomery were formerly connected with Adams & Peck. Mr. Eckstein was with O'Connell & Janareli from January, 1945 to September, 1946, and for 20 years prior to that he also was connected with Adams & Peck.

Firm Name Changed to Milhous, Martin & Co.

ATLANTA, GA. — The firm name of Milhous, Martin & McKnight, Inc., Rhodes-Haverty Building, has been changed to Milhous, Martin & Co. Officers of the new organization are James F. Milhous, President; Wayne Martin, Vice-President and Treasurer, and M. T. Post, Secretary.

Michael J. Heaney Is Jos. McManus Partner

Michael J. Heaney, recently elected President of the Security Traders Association of New York, Inc., has been admitted as a general partner in the firm of Joseph McManus & Co., 39 Broadway, New York City, members of the New York Curb Exchange.

Allan H. McAlpin Dead

Allan H. McAlpin, partner in the New York Stock Exchange firm of Wood, Walker & Co., 63 Wall Street, New York City, died at his home at the age of 62. Mr. McAlpin had been a member of the Exchange since 1919 and was twice elected to a four-year term on the governing committee in 1932 and 1936.

Public Utility Securities

The Outlook for Utilities

Utility stocks have made a much better showing marketwise in the past two years than industrials and rails, as indicated by the averages of Dec. 27 this year and in the two previous years:

	1946	1945	1944
Industrials	175	192	152
Railroads	51	63	48
Utilities	37	38	26

These relative gains in the utility group were apparently due to easing of political persecution, plus substantial tax relief and increasing postwar output.

Share earnings in recent months have shown some wonderful gains —Commonwealth & Southern, for instance, in November reported an increase in net income of over 100% and the same was true for the 12 months' statement. It now appears likely that 1946 may prove to be a peak year for utility earnings (temporarily at least). The State Commissions have not "cracked down" with rate cuts to the extent some had feared, but more cuts may be on the way. Moreover, operating expenses are beginning to get out of hand. The statement for all class A and class B electric utilities for the month of October, recently issued by the Federal Power Commission, was somewhat disappointing. While the utilities' revenues were $22,000,000 more than in the same month for the previous year, they were unable to earn any more operating net than last year (before taxes and fixed charges). Fuel costs jumped over one-third, or nearly $11,000,000, and wages were up nearly $9,000,000, or 20%. Miscellaneous expenses gained $2,000,000 and depreciation $500,000. Interest declined a little over $1,000,000, and the big saving was in special charge-offs (tax saving items) which in October this year were only $5,500,000 contrasted with $17,700,000 last year (as a partial offset taxes were up over $7,000,000).

It is obvious, therefore, that the increase of $5,500,000 in net income for October was what may be called a "fortuitous gain." Since amortization items are largely bookkeeping rather than cash transactions, the utilities showed a decline in cash earnings in October despite the huge increase in gross.

The same trend is now occurring as during the peak of the wartime production. Industry is again taking tremendous amounts of power, and the utilities are probably losing money on much of this competitive business, recouping partially from substantial profits on the growing residential load. They are again pressing into service inefficient standby steam stations to carry the present peak load, since hydro power can't be expanded. They have been unable as yet to obtain or install much of the new generating equipment on order, but part of this will doubtless become available in 1947, permitting some fuel economies. Unit fuel costs may continue to gain (the issue over the bituminous coal contracts hasn't been finally settled), but at least the seasonal peak of fuel requirements has now passed, giving the utilities a breathing spell.

Perhaps by another year present research work on the uranium piles as heat producers may begin to bear fruit. If the cost of processing uranium can be reduced enough, it will begin to compete with coal. Alabama Power is following Russian experiments in attempting to produce gas from coal at the mine, and if this is successful the utilities may benefit by lower fuel costs. But these are only long term possibilities.

It is obvious that the refunding plans have slowed up, and with a gradually rising trend in interest rates, the secondary crop of bond refundings (from 3¼s and 3½s into 2¾s, etc.) may suffer a blight. However, there are still some laggards among the preferred stock refundings so that common stockholders may obtain further benefits from such savings.

Last January and February the utilities earned about $68,000,000 net income, probably the highest monthly figure in many years. The figure dropped to $44,000,000 in July (partly a seasonal change) and ran slightly higher in August-October. With taxes on the same basis in January as in the previous year, the comparison of net income may prove unfavorable. However, the January figures won't be out until around March and in the meantime corporate reports will make excellent reading.

Real Estate Securities

Some very bullish sentiment exists among the small but well-informed group of analysts on Wall Street which follows closely—even minutely, it can be said—every change or indication of an impending change that develops in the market in real estate securities.

Bullishness in the thinking of these observers is nothing recent, though it can't be said that it dates back very far, either. Last August, for instance, many of them sold everything in the real estate line which they had, refusing to expose themselves to the vagaries of what seemed to them at that time an extremely unpromising market—and they advised others to do the same. Sober second thought since then, however, has made many of them change their mind about the prospects for the future. As a large number of them are inclined to view the situation now, in the long run, that is, over the course of the next year at least, the market can only get better.

In the first place, they argue, the market in real estate securities will improve because the stock market as a whole will—must—show greater strength than it has. The difference between the very high price level of goods in general and the low level to which stock prices have fallen is believed to be too great to make any sense. Thus, the argument runs, the discrepancy between general prices and stock prices is simply the result of mistaken judgment on the part of the investing public, an error which will certainly be corrected before very long. The inflationary trend apparent in general prices must, as always, eventually make itself felt in all spheres of business activity, including stock values, it is pointed out.

However, regardless of what happens in the stock market, a strong basis exists for bullishness in real estate, it is contended. Earnings on all classes of real estate have not only been high but will remain high for some time. The hotel business is so good, for example, that except for the fact that hotel managements dislike to rent every room they have every night because they want to be in a position to take care of old customers at odd times, hotel occupancy could be actually 100% at the present time. According to reports, hotel occupancy is running around 95% now. Apartment houses erected in the late twenties are in such excellent shape, repairs will be unnecessary for a long time yet, they point out, and vacancies reported in the commercial buildings are described as obsolete office space that has been put back on the market after years of retirement.

The lifting of OPA ceilings on apartment houses and hotels—a development most of Wall Street probably expects to materialize very shortly now—will maintain earnings on many properties at lush levels for some time, informed sources feel. A compromise will probably be reached on apartment rents, lifting ceilings 15 to 25%. Some conservative opinion holds that ceilings will be lifted only 10 to 15%, but extreme demands for the lifting of ceilings are known to be running as high as 50%. The compromise will thus probably be somewhere between 15 and 25%, it is believed.

Real estate securities have exhibited considerable strength ever since the market break of last summer and this fact alone would tend to justify setting real estate securities in a class by themselves, the analysts feel. Some of the active securities in real estate did at times move along with the market in general but, they say, recovery has been much more noticeable in the case of real estate securities than in the market as a whole though, admittedly, the tone of the general market in securities has improved considerably in recent weeks.

MorganStanleyPartners

Cortelyou L. Simonson and Samuel B. Payne, who have been admitted to general partnership

Samuel B. Payne C. L. Simonson

in Morgan Stanley & Co., 2 Wall Street, New York City, members of the New York Stock Exchange.

L. B. Groezinger Joins Manson, Allan & Miller

SAN FRANCISCO, CALIF.—Leland B. Groezinger has joined the law firm of Manson, Allan & Miller, Kohl Building. Mr. Groezinger, a graduate of Harvard Law School and the University of California, was formerly with Pillsbury, Madison & Sutro.

Wants Int'l Trade On Multilateral, Non-Discriminatory Basis

National Foreign Trade Council files brief with Committee for Reciprocity Information urging insistance upon removal of trade barriers by other nations in reciprocal trade treaties. Holds prime objective should be expansion of world trade.

Insistence by the United States upon establishment of conditions in other countries essential to the expansion of international trade on a multilateral and non-discriminatory basis, was urged by the National Foreign Trade Council in a brief submitted to the Committee for Reciprocity Information and made public on Dec. 29 in advance of scheduled reciprocal trade agreement negotiations with 18 foreign governments.

The Council declared that "if other countries are to be permitted to share in the American market, they should be required to agree to and effectuate principles and policies which will result in the creation and maintenance of a multilateral, non-discriminatory most-favored-nation world-trading system."

Establishment of such a system, the brief stated, is as much, if not more, in the interest of other nations as it is in that of the United States.

"The United States must therefore insist on early removal of all barriers and discriminations which stand in the way of establishment of such a trading system.

"It has made vast financial and other facilities available to enable other nations to conduct their trade and other international economic relations on a fair and non-discriminatory most-favored-nation basis.

"If any nation refuses to conduct its international economic relations on this basis, the United States should refuse financial or other economic assistance to such nation and should deny it the advantages in the American market accorded to nations which conduct their international economic relations on a multilateral, non-discriminatory basis."

Pointing to the need for a "vast increase in world trade" stemming directly from wartime destruction or deterioration of the economies of some of the most important industrial nations, and from the war-expanded American economy, the Council urged a vigorous and cooperative effort by all nations to eliminate discriminations and to reduce tariffs and other barriers to international trade.

Objectives were set forth as follows, without distinction as to their relative importance:

1. Maintenance of a large volume of United States exports.
2. Increase in American imports to the level required to meet domestic needs and to create a balanced relationship between the American and world economies.
3. Expansion of general trade among nations to the degree which world economic recon-

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AFL for Unity at Home and Abroad

By WILLIAM GREEN

President, American Federation of Labor

National labor leader pleads for spirit of international cooperation and restoration of wartime national unity. Says his organization believes in teamwork between labor and management, and that great hope for 1947 is firmly established labor-management cooperation under which "jobs are plentiful and prices can be reduced." Holds first step is to respect and safeguard free enterprise of industry and labor.

America must find the answers to the all-important problems of peacetime progress in 1947. Our country must keep alive the spirit of international cooperation through which the United Nations can lead the world to an era of permanent peace, based upon justice to all nations.

William Green

At home, our people must revive the spirit of national cooperation for the protection of our fundamental freedoms and the attainment of lasting prosperity and security.

There is a tremendous job ahead of us. We must halt the engulfing tide of inflation without inviting a reactionary tide of deflation. We must build millions of new homes for our citizens and especially for ex-servicemen who now lack a decent place to live. We must increase production to meet the needs of our people and to bring about a long overdue reduction in prices. We must keep wages and purchasing power high so that industry and agriculture can be assured of a domestic market for the tremendous flow of factory and farm products.

These are some of the minimum and urgent tasks facing the nation. Beyond these immediate goals, we must provide by law a full measure of social security for the American people so that the fear of poverty, the danger of destitution in old age and the risks of illness without proper medical care can be banished from our land.

This constructive program requires a high measure of national unity and the same kind of fighting determination to overcome all obstacles which brought us victory in the war.

But today, I regret to report, wartime unity has for the most part disintegrated and America is being torn apart by dangerous tensions. The key factors in our industrial life are pulling and hauling against each other in an economic tug of war. The powerful forces of management and labor which should be part of the same industrial team—working together, producing together and progressing together—are now, in many instances, struggling at cross purposes.

That is not consistent with the American way of life. It is equally obnoxious to the fundamental philosophy of the American Federation of Labor.

We in the American Federation of Labor believe sincerely in teamwork between labor and management. We have found through long years of experience that it works and that it pays. When industrial peace reigns, when labor-management cooperation is firmly established, production booms, jobs are plentiful and prices can be reduced. The workers benefit, the employers gain and the public as a whole prospers.

Our great hope for 1947 is that this will become the accepted policy of all American business and labor. Then we can capitalize on the many elements in the present economic situation which are favorable. As President Truman's Council of Economic Advisers reported recently, the nation's productive abilities are almost unlimited and the demand for food products and factory products is backed up by an unprecedented accumulation of purchasing power.

Then what is stopping us from going ahead? In my opinion, it is the lack of a broad understanding between industry and labor that they are indispensable to each other and that both owe a joint and fundamental responsibility to the public to live together and work together in peace and harmony.

The first step toward such an understanding is a firm pledge and commitment to respect and safeguard the free enterprise of industry and labor. Industry has now been freed from Government controls. It should be satisfied. It should not seek the imposition of new Government controls on labor, either by legislation or administrative order. That, in the end, would mean Government control of business, too. Economic stability and economic progress can only be gained through economic freedom.

The American way of life is not static. It must keep changing for the better all the time. Organized labor recognizes this truth. It is time industry also understood it and conformed to it, instead of trying to apply the brakes and throw our economy into reverse.

The American Federation of Labor hopes that in 1947 the forces of reason and progress will triumph over the few extremists whose refusal to keep in step with the times threatens the welfare of our country.

In anticipation that the great promise of the future will be fulfilled, I extend to all members of the American Federation of Labor and to the American people as a whole best wishes for a happy and prosperous and peaceful New Year.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

During 1946 many important developments took place in the money markets, the most notable of these being the end of deficit financing by the government, and the debt reduction program of the Treasury. . . . These two factors, more than any others, were responsible for the ending of the upward trend in money rates, which had carried government security yields to levels that threatened the maintenance of the wartime rate pattern. . . .

The concerted action of the Treasury and Federal relieved the pressure on money rates, although in accomplishing this, it resulted in rather wide price movements in government obligations during the year. . . . Nevertheless, it has put the market for these securities on a much more realistic basis, since it eliminated the speculative element from the situation. . . .

Despite all that has taken place money rates still remain low, and indications are that they will continue that way for some time yet. . . . Also the monetary authorities still have control of the money markets and there is no reason to believe that it will be otherwise, until there is at least a much more substantial decrease in the debt than has taken place so far. . . .

RATE PATTERN UPHELD

During the early part of last year there was considerable concern over the ability of the monetary authorities to maintain the rate pattern of 7/8% for certificates to 2½% for long-term obligations, because of the strong uptrend in prices of government securities. . . . Later in the year there was again some question about the continuance of the rate pattern, but this time it was not from the standpoint of rising prices for government obligations, but because of the decline that has taken place in these securities. . . .

Nevertheless, the rate pattern is still intact and there is probably less likelihood of change now than there has been at times in the past. . . . What has taken place in market prices for government securities has all been within the limits of this same rate pattern, yet it has resulted in some rather sharp price gyrations in the course of the last year. . . . This shows that there was ample opportunity for trading last year in government securities and despite opinions in some quarters that the market will be more stable in 1947, there should be wide enough price swings this year, to make trading again worth while. . . .

The following table shows price changes from the end of 1945 to the close of 1946:

Taxable Bonds—Bank Eligible Issues

Security		Price Range 1946 High (date)	Low (date)	12/31/46 Closing Bid Price	12/31/45 Closing Bid Price	Chge. in 32nds
2%	3/15/48/50	102.13 (3/1)	101.5 (12/2)	101.6	102.3	—.29
1¾%	6/15/48	102.3 (3/1)	100.31 (12/2)	101.00	101.22	—.22
2%	6/15/49/51	103.23 (3/1)	101.29 (12/2)	102.4	103.3	—.31
2%	9/15/49/51	103.29 (3/1)	102.1 (12/2)	102.9	103.5	—.28
2%	12/15/49/51	104.1 (3/2)	102.6 (12/2)	102.15	103.7	—.24
2%	3/15/50/52	104.2 (3/1)	102.4 (12/2)	102.15	103.12	—.29
2%	9/15/50/52	104.7 (3/11)	102.8 (12/2)	102.17	103.17	—1 pt.
1½%	12/15/50	102.16 (3/8)	100.27 (12/2)	101.7	101.19	—.12
2%	9/15/51/53	104.19 (3/11)	102.8 (12/2)	102.25	104.1	—1.8
2%	12/15/51/55	104.27 (3/11)	102.13 (12/2)	102.29	104.10	—1.13
2½%	3/15/52/54	107.15 (3/11)	104.15 (12/2)	105.2	107.00	—1.30
2%	6/15/52/54	104.27 (2/10)	102.8 (12/2)	102.27	104.11	—1.16
2¼%	6/15/52/55	106.10 (2/8)	103.9 (12/2)	103.29	105.20	—1.23
2%	12/15/52/54	105.1 (3/11)	102.9 (12/2)	102.29	104.12	—1.15
2½%	3/15/56/58	110.22 (2/8)	106.4 (12/2)	107.4	109.27	—2.23
2¼%	9/15/56/59	107.18 (4/6)	104.7 (9/9)	105.8	106.10	—1.2
2½%	9/15/67/72	109.18 (2/8)	104.22 (9/19)	106.8	108.27	—2.19

BIGGEST DECLINE

The most substantial decline during 1946, among the eligible taxable bonds, was in the longest 2½s with all of the 2s due from 1950 on, showing decreases of at least a point from the closings of 1945. . . . Recessions from the tops of the year were greater than the drop from the last prices registered in 1945. Every bond showed a decline from the closings of the previous year, as seen in the following:

Partially Exempt Bonds—Bank Eligible Issues

Security		Price Range 1946 High (date)	Low (date)	12/31/46 Closing Bid Price	12/31/45 Closing Bid Price	Chge. in 32nds
4¼%	10/15/47/52	106.12 (1/17)	102.24 (12/31)	102.24	106.4	—3.12
2%	12/15/47	102.23 (1/18)	101.6 (12/31)	101.6	102.13	—1.7
2¾%	3/15/48/51	104.15 (1/21)	102.10 (12/28)	102.10	104.7	—1.29
2½%	9/15/48	104.25 (1/23)	102.26 (12/31)	102.27	104.15	—1.21
2%	12/15/48/50	103.25 (1/23)	102.6 (12/2)	102.7	103.13	—1.6
3⅛%	12/15/49/52	109.00 (1/23)	106.11 (12/2)	106.12	108.24	—2.12
2½%	12/15/49/53	106.19 (1/26)	104.12 (12/2)	104.15	106.10	—1.27
2½%	9/15/50/52	107.21 (1/23)	105.8 (12/2)	105.10	107.10	—2.00
2¾%	6/15/51/54	109.29 (1/23)	107.2 (12/2)	107.3	109.14	—2.11
3%	9/15/51/55	111.22 (1/23)	108.16 (12/2)	108.17	111.8	—2.23
2¼%	12/15/51/53	107.26 (1/23)	105.9 (12/2)	105.14	107.12	—1.30
2%	6/15/53/55	107.26 (1/23)	104.28 (12/2)	105.7	107.3	—1.28
2¼%	6/15/54/56	109.31 (1/23)	106.20 (12/2)	107.	109.5	—2.5
2⅞%	3/15/55/60	116.3 (1/12)	111.8 (12/2)	111.26	114.28	—3.2
2¾%	9/15/56/59	116.15 (1/12)	111.18 (9/19)	112.19	115.4	—2.17
2¾%	6/15/58/63	117.6 (1/12)	111.30 (10/3)	113.9	115.25	—2.16
2¾%	12/15/60/65	119.1 (1/24)	113.9 (10/3)	114.25	117.14	—2.21

SIMILAR PATTERN

The pattern of the partially-exempts was not dissimilar to that of the eligible taxable issues, although the shorter maturities with high coupons showed sizable declines because of the runoff of premium. . . . All of these securities likewise showed declines from the closing of a year ago, to wit:

Taxable Bonds—Restricted Issues

Security		Price Range 1946 High (date)	Low (date)	12/31/46 Closing Bid Price	12/31/45 Closing Bid Price	Chge. in 32nds
2¼%	6/15/59/62	104.22 (4/6)	100.29 (1/2)	102.6	100.28	+1.10
2¼%	12/15/59/62	104.23 (4/6)	100.29 (1/2)	102.6	100.28	+1.10
2½%	6/15/62/67	108.13 (4/6)	103.19 (1/2)	105.	103.18	+1.14
2½%	12/15/63/68	108.4 (4/6)	102.29 (1/2)	104.17	102.28	+1.21
2½%	6/15/64/69	107.25 (4/6)	102.19 (1/2)	104.4	102.17	+1.19
2½%	12/15/64/69	107.24 (4/6)	102.16 (1/2)	104.1	102.16	+1.17
2½%	3/15/65/70	107.23 (4/6)	102.10 (1/2)	104.	102.9	+1.23
2½%	3/15/66/71	107.23 (4/6)	102.7 (1/2)	104.	102.5	+1.27
2½%	6/15/67/72	106.17 (4/6)	101.14 (1/2)	102.29	101.14	+1.15
2½%	12/15/67/72	106.18 (4/6)	101.14 (1/2)	102.28	101.14	+1.14

Despite the sizable recession from the best levels of the year, all of the ineligible bonds were on the plus side by more than a point from the closings of 1945. . . . These securities made the best showing of all of the government bonds, during the past year, when compared with the last prices of 1945. . . .

GENERAL TREND

The bank-eligible taxable bonds made their highs for the year prior to or shortly after the initiation of the debt redemption program, while the lows were registered in each instance but two, near the completion of the debt retirement. . . .

The partially exempt issues sold at their best levels very early in the year, although the lows were made in the majority of these securities about the same time as the eligible taxable bonds. . . . The restricted bonds continued to advance, for about a month after the eligible issues had made their highs, to register new tops early in April, which was the high point of the government market for the year 1946. . . .

Lows for the year were made in the ineligible issues during the first trading day of the year, although in some instances, prices, later on in the year, were not far from these lows.

Higher Wages Needed To Keep Prosperity

By PHILIP MURRAY*

President, Congress of Industrial Organizations

Prominent union executive asserts decisions in next few weeks will determine whether there'll be another major depression. Holds chief problem is to build up a high level of purchasing power through higher wages, and stresses large corporation profits as indicating higher wages can be granted without price increases. Warns new Congress not "to set back the clock to 1932," and calls for a progressive, intelligent policy to spur foreign trade and support United Nations.

As we enter the first days of 1947, we must give sober, serious thought to what lies ahead for America. We stand today at a vitally important crossroad; the decisions we make in the next few weeks will determine whether this country turns downhill into another major depression. If do so, we will drag the rest of the world down with us into confusion and despair. But preferably we must catch hold of the vision of a prosperous, peaceful world, and struggle to realize quickly the goal of a better life for all people.

Philip Murray

To make the right decisions, we must look squarely at the facts of the present situatiaon, and face the dangers that confront us.

Primary among those dangers is the threat of economic depression. The simple facts point urgently to the necessity of our building a high level of purchasing power if we are to maintain our present prosperity. If the level of purchasing power falls, the gears of our economic machine will lack the vital lubrication to keep it running smoothly.

If we are to maintain purchasing power, we must raise wages. Reliable, outstanding economists have placed the spotlight on the dangers to our continued prosperity. Prices have risen drastically in the past few months. Each such rise cuts into the purchasing power of the people.

There is no question of the ability of our great corporations to pay increased wages and re-fill the reservoir of our purchasing power. Corporation profits in the last three months of this year just ended are estimated to be three times higher, after *taxes*, than they were in 1939.

When the people do not have sufficient funds to buy the products held by the profiteers, our economic machinery stalls, our prosperity vanishes, almost overnight; all our people suffer.

That is the very danger which we are apt to face in 1947. And it is for that reason, I submit, that the time has come for cooperative, constructive examination of our problems and for the finding of new solutions. It is imperative that we do so if our democratic civilization is to endure and develop.

In the new Congress attempts to set the clock back to 1932, the prospect for 1947 can be only that of strife and turmoil at home, lack of confidence in American ideals abroad. Free labor unions, responsible and devoted to the American liberal tradition, constitute our most reliable instrument for achieving higher wages and the higher purchasing power needed to keep our prosperity at its present peak.

In promoting a land of prosperity and social stability, we shall gain the respect and admiration of other peoples in other lands. All will benefit from our wealth, our sense of social order.

We can assist our "one world" in many ways to help it overcome the scars of war and conflict. A progressive, intelligent policy to spur foreign trade; a willingness to help our allies economically and a policy of humanitarianism free from politics; a recognition of the fact that democratic people have the right to chose their forms of government; solid support for the United Nations—all these will win the genuine support for our flag and our ideals in every section of the globe.

Recently I called upon the heads of other branches of organized labor to work unitedly against backward trends. Tonight I would like, in behalf of the Congress of Industrial Organizations, to extend that invitation to all the organizations of the community which agree with our policies and oppose reaction.

The formation of such a democratic coalition, to protect our basic civil rights, to improve our economic welfare, to set us squarely on the road of social progress—that is the challenge of 1947.

*An address by Mr. Murray over the Mutual Broadcasting System, Jan. 1, 1947.

F. W. Reichard, V.-P. Of Chas. E. Weigold

Announcement is made that Fred W. Reichard has been elected a Vice-President of Chas. E. Weigold & Co., Inc., 40 Wall Street, New York City. Mr. Reichard was formerly with E. H. Rollins & Sons, Inc., and prior thereto conducted his own investment business in New York.

Gr. Rapids Bond Club Elects 1947 Officers

GRAND RAPIDS, MICH.—The Grand Rapids Bond Club held its annual Christmas party Dec. 20,

Herman Tornga

1946, at which time the following officers were elected for the coming year:

President, Clarence D. Allen, Dudley H. Waters & Co.; Vice-President, George H. Ricks, Merrill Lynch, Pierce, Fenner & Beane; Secretary, Charles E. Rose, Paine, Webber, Jackson & Curtis; Treasurer, Herman Tornga, De Young, Larson & Tornga.

Combined Textile Committee Terminates

WASHINGTON, Dec. 31 (Special to the "Chronicle")—The Combined Textile Committee has announced its termination as of Dec. 31, 1946.

The Committee, under the Chairmanship of Herbert Rose, Director of CPA's Textile Division, included representatives of the United States, the United Kingdom, France, India and Canada. Its purpose was to recommend to member governments a coordinated export program which would secure as equitable a distribution as possible of textiles in world short supply. The Committee temporarily continued, in the field of textiles, the work of the Combined Production and Resources Board, which dissolved at the beginning of this year.

Stitzer to Manage Sales Office of Hill Co.

Hill & Co., members of the New York Stock Exchange, announces that Mervyn B. Stitzer has become associated with the firm as manager of the New York sales office, 61 Broadway, New York City. Mr. Stitzer was previously with Shields & Co., and Weeden & Co.

Arthur Sewall With Montgomery, Scott Co.

Montgomery, Scott & Co., 120 Broadway, New York City, members of the New York Stock and other leading exchanges, announces that Arthur Sewall, II, has become associated with the firm in the New York office. Mr. Sewall was formerly with the Boston and San Francisco offices of Todd Shipyards Corp.

Purcell Co. Opens New Branch

JAMAICA, N. Y. — Edward A. Purcell & Co., members of the New York Stock Exchange, have opened a branch office at 90-04 161st Street, under the management of Chandler G. Burrows. Mr. Burrows was formerly Jamaica manager for C. B. Richard & Co.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

In which fire insurance stocks should one invest available funds in 1947? The answer to this question depends on several factors, chief amongst which is the objective of the investor. Does he wish relatively high dividend yield with secondary prospects of long-term equity growth and market appreciation, or does he desire moderate dividend yield, combined with superior prospects for long-term equity growth and market appreciation? Or is he perhaps more speculatively minded? The following table may assist the prospective investor in making such selections as seen best fitted to his particular requirements:

	Annual Dividend Rate	Asked Price 12-27-1946	Yield	Dividend Safety Factors *Coverage	†Years	‡Equity Growth
Aetna	$1.80	56	3.2%	1.89	73	28.9%
Agricultural Insurance	3.50	72	4.8	1.85	83	23.9
American Equitable	1.00	17¾	5.6	0.10	12	—4.9
Bankers & Shippers	4.00	66	6.1	0.71	22	8.2
Boston Insurance	2.20	65½	3.4	1.55	71	25.3
Continental Insurance	2.00	49¾	4.0	1.73	93	34.1
Fidelity-Phenix	2.20	54	4.1	1.78	38	38.5
Fire Association	2.50	54	4.7	1.25	88	17.7
Franklin Fire	1.00	20½	4.9	1.15	115	5.2
Glens Falls	1.85	51½	3.6	2.16	80	11.2
Great American	1.20	28¼	4.2	1.84	73	30.5
Hanover Fire	1.20	26	4.6	1.23	86	4.0
Hartford Fire	2.50	104¾	2.4	3.42	73	65.4
Home Insurance	1.20	24⅝	4.9	1.58	72	12.5
§Insurance Co. of No. Amer.	3.00	99½	3.0	1.92	72	41.9
National Fire	2.00	50⅛	4.0	1.29	74	19.3
New Brunswick	1.50	26	5.8	0.96	18	11.7
New Hampshire	2.10	52	4.1	0.82	76	9.3
North River	1.00	22½	4.5	1.12	107	12.0
Phoenix Insurance	3.00	88	3.4	1.51	71	20.6
Providence Washington	1.40	36½	3.8	1.90	39	30.5
St. Paul F. & M.	2.00	67	3.0	2.56	74	57.7
§Security Insurance	1.40	30½	4.6	1.53	52	25.6
Springfield Fire & Marine	4.75	107½	4.4	1.36	79	19.1
U. S. Fire	2.00	50	4.0	1.47	36	24.8
Average of 25			4.2%	1.54	67	22.9%

*Coverage of current dividend rate by 5 year average consolidated net operating profits. †Unbroken dividend record. ‡Ten year growth, measured by accumulated undistributed net operating profits relative to 1936 liq. values (parent). §Adjusted for capital changes.

On examination of this tabulation it will be observed that, based on the 1946 annual dividend rates and the asked prices of the stocks as of Dec. 27, 1946, the average dividend yield is 4.2%; the average dividend coverage by net operating profits is 1.54%; and the average length of unbroken dividend payments is 67 years.

For purposes of discussion the 25 stocks may be roughly classified according to dividend yields into four groups as described below.

Group I—Exceptionally high dividend yields are afforded by American Equitable, Bankers & Shippers and New Brunswick. However, the dividend coverage ratio of these three stocks is less than 1.0, which introduces an element of doubt as to the continuity of the present dividend rates, despite the fact that Bankers & Shippers and New Brunswick each has already reduced its rate within the past three years. It should also be observed that the number of years of unbroken dividend payments in each case is below average.

Group II—Other above-average dividend yields are provided by Agricultural, Fire Association, Franklin, Hanover, Home, North River, Security and Springfield Fire & Marine. Here again, the dividend coverage ratio is below the average of 1.54, except in the case of Agricultural and of Home, though the latter's is only fractionally above average. The unbroken dividend record, however, is well above average except for Security of New Haven. It is pertinent to recollect, furthermore, that both Franklin and Home found it necessary to reduce their annual dividend payments after 1943.

Group III—Dividend yields which approximate the average of 4.2% are provided by Continental, Fidelity-Phenix, Great American, National Fire, New Hampshire and U. S. Fire. The first three of these six stocks have above-average coverage ratios, but the second three have ratios below average, New Hampshire's ratio being less than 1.0.

Group IV—Dividend yields below average are found in such stocks as Aetna, Boston, Glens Falls, Hartford Fire, Inc. of No. Amer., Phoenix, Prov. Washington and St. Paul Fire & Marine. These stocks, however, have above-average coverage ratios, except Phoenix, and longer-than average unbroken dividend payment records, except Providence Washington. Hartford Fire's stock actually is in a class by itself, having the lowest dividend yield and the highest dividend coverage, and furthermore, the highest equity growth percentage.

The four groups can be summarized as follows:

Group	No. of Stocks	Classification—	Average Yield	Average Dividend Coverage	Average Unbroken Record	Average Equity Growth
I	3	High Yield	5.83%	0.59	17	5.0%
II	8	Above Average Yield	4.67	1.38	85	15.0
III	6	Average Yield	4.10	1.50	65	26.1
IV	8	Below Average Yield	3.22	2.12	69	35.2

It is obvious that the stocks in the high-yield group are inherently more risky and speculative than those in the other groups and offer only meagre prospects of long-term equity growth; those in the second group, in view of their long record of uninterrupted dividend payments, are attractive on a dividend basis, assuming that there will be no cuts in their present dividend rates; but only moderate long-term equity growth should be expected. Group III stocks, with somewhat lower dividend yields, have their dividends protected moderately better than those in Group II and offer better prospects of equity growth. Group IV stocks provide relatively modest yields, but their dividends are generously covered and their long-term equity growth prospects are superior to those in the other groups.

Anglo-Brazilian Commercial Understanding

Exchange of notes concerning matters of economic and commercial interest, permits import of British transport and industrial equipment to Brazil and British participation in Brazil's industrial development. Provides for termination of Navicert System and for suspension of restriction of Brazilian exports of prime staples to Britain. Status of British-owned enterprises in Brazil fixed.

On Sept. 21, the British Government and Brazil ratified an exchange of notes concerning matters of economic and commercial interest to the two countries. Though not in the form of a treaty, the contents of the correspondence determines matters relating to Anglo-Brazilian trade and financial relations. The text of the correspondence as presented to Parliament and published officially follows:

Exchange of notes between His Majesty's Government in the United Kingdom and the Government of Brazil concerning matters of economic and commercial interest to the United Kingdom and Brazil.

London, 21st September, 1946

No. 1.

Mr. Ernest Bevin to Senhor Joao Neves da Fontoura.

Foreign Office, 21st September, 1946.

Your Excellency,

I have the honor to hand to your Excellency herewith a copy of the agreed record of the conclusions reached during the discussions concerning matters of economic and commercial interest to our two countries which were held at the Foreign Office from the 17th to the 20th September, 1946, between representatives of the Government of Brazil and of the Government of the United Kingdom.

2. I have the honor to request your Excellency to be good enough to confirm the above record of these conclusions.

I have, &c.

ERNEST BEVIN.

Enclosure.

(1) *Supply of British Transport and Industrial Equipment to Brazil.*

The Brazilian Government will send to the United Kingdom a special purchasing mission organized by the Brazilian Ministry of Transport, including representatives of the Brazilian Ministry of Finance and of the Banco do Brasil, to discuss the procurement of the material urgently required by Brazil for the rehabilitation and modernization of her transport system and industry, and the utilization of the Brazilian sterling balances for the purpose of these purchases and such other purposes as may be agreed upon. His Majesty's Government in the United Kingdom will render all possible assistance to the rapid and efficient fulfillment of orders for transport and industrial equipment placed by Brazil in the United Kingdom.

(2) *British Participation in the Industrial Development of Brazil.*

His Majesty's Government in the United Kingdom have noted with satisfaction that importance is attached by the Brazilian Government to the development of industry in Brazil and that the Brazilian Government wish for British participation in such development, especially in the form of British machinery, British patents and designs, and British technical skill.

(3) *Import into the United Kingdom of Brazilian Mate.*

His Majesty's Government in the United Kingdom will remove the existing restrictions on the import into the United Kingdom of Brazilian mate and will permit this commodity freely to enter the United Kingdom market to the full extent that a demand for it may exist.

(4) *Termination of the Navicert System.*

The Brazilian Minister for Foreign Affairs having indicated that his Government would welcome the early termination of the Navicert system, the British Delegation informed his Excellency that arrangements had been made for the announcement on the 20th September that the Navicert system would terminate on the 30th September, 1946. The Brazilian Minister for Foreign Affairs welcomed this information.

His Majesty's Government attach great importance to the operation by the Brazilian authorities of national administrative machinery designed to implement the allocations agreed by the various competent international organizations for the supply of vital food-stuffs and raw materials, of which Brazil is the producer, to the countries where they are most urgently needed. They welcome therefore the statement of the Brazilian Minister for Foreign Affairs that he will personally make every effort to ensure that Brazil will implement internationally fixed allocations. His Majesty's Government take note of the Minister's declaration that delays in the export of Brazilian food-stuffs have been due not to lack of goodwill on the part of the Brazilian Government, but to internal transport difficulties which are even affecting the distribution of food-stuffs to the Brazilian people.

(5) *Brazilian Suspension of Export of Certain Commodities of Prime Necessity.*

His Majesty's Government have been concerned at the recent Brazilian suspension of the export of certain commodities, particularly food-stuffs such as rice, beans, cereals and meat, which are urgently required in areas of the

(Continued on page 38)

Small Issues Final Report

Reviews tasks and accomplishments and concludes our economy is in healthy condition, with production at postwar peak. Warns of unsatisfactory labor-management conditions.

John D. Small, who resigned recently as Civilian Production Administrator, in his final report to President Truman under the title, "From War to Peace," dated Dec. 6, 1946, reviews the work of his organization in accomplishing the task of orderly reconversion and avoiding inflation. Though highly laudatory of the success of these efforts, Mr. Small asserts the serious unfavorable impact of work stoppages cannot be too strongly stressed, since labor-management difficulties delayed achievement of present record employment and production by several months and their effects are still being felt.

J. D. Small

The portion of the Report giving a general review of developments since V-J Day follows:

The Civilian Production Administration was formed a little more than a year ago to take up where the War Production Board left off. As it was the primary job of WPB to mobilize the nation's industry to win the war as quickly as possible, so it was CPA's chief function to demobilize controls and speed the transition back to a normal, peacetime economy. Production of materials and products which had not been needed for the war effort had been sharply curtailed during the war years, as for example construction materials, which had not been in demand since the war construction boom in 1942, and consumer durable goods, such as automobiles, refrigerators, and washing machines. Following V-J Day there was a tremendous surge of demand for these and many other items. CPA has acted in every way possible to encourage and assist industry in turning out the goods needed and wanted by the American people, and thereby to provide the most effective long-range preventative of the dreaded aftermath of wars—inflation.

Six-Fold Assignment

To assist in bringing about an orderly transition from war to peace, CPA was asigned six general functions in the Executive

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What Case Against the German Bankers?

(Continued from page 4)

tarily contributing to the secret financing of prewar rearmament contrary to the terms of Versailles); of crimes against humanity (by virtue of their close connection with concerns employing concentration camp and slave labor); and of war crimes (by offering and making available their facilities for the conduct of organized looting in occupied countries). The question is, rather, what motivated the collective arrest of a large number of men comprising every high ranking official of practically all larger German banks, some of whom had, like Schacht been in Nazi prisons during the war. The original concept of war criminality as developed in the United States attempted to include all persons who aided and abetted in the preparation, declaration, and pursuit of the Nazi war effort. It was then necessary to make arrangements for the apprehension of those considered as falling within that category through Army Intelligence agencies following the troops into Germany. Lists of so-called "automatic" arrest cases were drawn up for this purpose describing rank, title, or position (not individual names) of those to be arrested. While the majority of these categories were concerned with the Government and Armed Forces, the Nazi Party, with its military and semi-military formations, such as the SA and the SS, the selection actually cut across almost all fields of endeavor, including professionals, scientists, industrialists, and bankers. In the case of Government, Army and Party, rank was generally the determining criterion for inclusion on these lists; furthermore, almost all members who served in positions of responsibility with certain named organizations were likewise subject to automatic arrest, such as the Gestapo, and the Intelligence Services of the Armed Forces and of the SS.

Groups Listed for Arrest

Professionals and scientists were included, so far as they were not arrestable on the basis of civil service ratings, in connection with their work on behalf of the war effort; where entire institutions were known to have been engaged primarily in armament research work, its executive members were usually listed, collectively such as in the case of the Kaiser Wilhelm Institutes. Because of the comprehensiveness of this list, US Group CC, then the nucleus of the future Military Government under occupation, was charged with the task of collating these categories through their functional divisions, such as Economics, Legal, Civil Affairs, and Finance. It is on the basis of the latter Division's recommendations that the bankers were arrested and interned.

Naturally, divergences in opinion as to who was or was not a *prima facie* suspect of participation in war crimes were reflected in these lists. Thus, while a member of the SA was not liable to automatic arrest below the rank of Lt. Col. Party officials were listed down to ranks of Ward captains; and while only comparatively few top ranking industrialists were included, the bankers connected with the institutions named above were listed summarily including all members of their Board of Directors, and executives down to Vice-Presidents in charge of personnel and public relations.

Picking the Banks

The primary factors in deciding which of the banks were considered in these categories were closeness of affiliation with Reich and/or Party, and with industry and the war effort. As long as it was known that Reich, Party, and Industry were guilty of war crimes in connection with the looting and despoliation of occupied territories, with the abduction and employment of slave labor, and with the forced labor of political and racial persecutees, it appeared logical to include in the list of offenders all organizations whose partnership in such enterprises seemed likely. However, two specific considerations of a different nature also became criteria; participation in financing the war effort in general, and affiliation with big industry in general (regardless of offenses committed by individual enterprises) as expressed in terms of financial status. The latter consideration, in all probability was a corollary of the concept of "Excessive concentration of economic power" which later appeared in the Potsdam agreement.

In addition to the "Big Six" banks named above, the arrest list contains the partners of most of the more important private banks, including several banks formerly owned by Jews; the Berlin central banks of the Association of German Savings Banks and of the Association of the various German Credit Cooperatives; two of the more important German central (as compared to regional) mortgage banks; and the Bank der deutschen Luftfahrt, the semi-official bank of the Air Military.

It should be noted that, with one exception, none of these banks was closed by Military Government; the exception being the Bank der Deutschen Arbeit, official Bank of the German Labor Front. This bank as well as the Air Ministry's Bank and the Reichskreditgesellschaft are to be liquidated at some future date however. So far as they were not closed by the Russians in the Eastern zone and Berlin, most of the "Big Six" banks are thus still doing business; those whose Berlin head offices were closed, are still operating their different branches in the western zones. The central Mortgage, Savings, and Cooperative Banks were all located in Berlin and thus closed by the Russians. The private banks are generally still operating, although their partnership funds, in many cases, are tied up under "property control."

It is thus against the bankers as individuals, rather than against the banks as legal persons or their owners that this action is directed. Civilian internment camps, in the meantime, have been turned back to the Germans for administration, including the operation of Screening Boards which accept and scrutinize on individual merit applications for release. In this manner, a substantial part of these internees have been released from internment and have been dealt with by regular German civilian Denazification Boards, including Reich, Party and Army officials. However, persons suspected of participation of war crimes are not eligible to apply for release, so that the bankers, together with the Gestapo and the SS, are still (with certain minor exceptions) prisoners. It is this association with Gestapo henchmen and concentration camp guards which has been resented, by the bankers as well as by many German and non-German civilians, much more than the mere fact of their internment.

Charges Only Partially Applicable

Actually, it must be stated quite openly, only a part of the charges are applicable to a part of those arrested. This will become quite evident upon an examination of their prewar and wartime records. To begin with, the Reichsbank, the German central bank, its officials were in a class not quite comparable to that of the commercial banks. The political convictions of most of them were those of the Third Reich, and a major percentage of them belonged to the Party. On the other hand, there are among those interned, non-Party members whose functions centered around Research, internal money-market operations, and credit regulation who are not guilty of anything more than having been sufficiently proficient in their field to advance faster than others who may have been less talented. Only at the top level of the Reichsbank were appointments of a political nature (as in the case of Funk); the Executive level below the top consisted to the greatest part of able and experienced old-timers.

The Reichs kreditgesellschaft was the "house bank" of the VIAG, a Reich-owned holding company of several manufacturing and public utility enterprises that had come into public ownership after the last war. It was in the forefront of much rearmament financing long before the outbreak of the war; did little to attract private business; after 1933, and was staffed largely by incompetent Nazi officials, who mostly had less to do with its policies than the Government. The Bank der Deutschen Arbeit was the post-1933 foundation of the German Labor Front, the organization which had taken over all labor union activities. Its officials were Party members almost to a man, and its business very largely solicited and procured through the Party. Among its assets, the Volkswagen (people's car) factory and the enterprises of the consumers' cooperatives deviously acquired in 1933 loomed large.

These three, then, were clearly semi-public institutions, with the Reichsbank (although privately owned) under the direct control of the Finance Ministry, the Reichs kreditgesellschaft officially administering Reich interests, and the Bank der Deutschen Arbeit owned by and representing the Nazi labor front.

The other half of the "Big Six" were privately owned, commercial banks. As customary in Germany, they combined commercial and investment banking, including the underwriting and wholesaling (and sometimes retailing) of securities issues. The Deutsche Bank and the Dresdner Bank were the two largest of these, both having in excess of 10 billion Mark total assets at the end of the war. However, their business methods were in no way similar.

The Dresdner Bank, before the great depression, had been the second largest German bank, surpassed in terms of Total Assets, Deposits, and Capital and Reserves only by the Deutsche Bank and Disconto Gesellschaft, which had attained leadership as a result of the merger of two large and four relatively smaller banks in 1929. Because of top-heavy long-term commitments, the Dresdner Bank was particularly adversely affected by the Bank crisis in 1930 and found it necessary to appeal to the government for extensive support. This was granted, but the government, as a result, became the majority stockholder and was dominant in the bank's affairs even before Hitler's rise to power. A great many of its officials were members of the Nazi Party before 1933; and when the change came, threw the bank's full support behind the new regime. The bank's Chairman, Carl Goetz, became one of the trusted financial advisors of Party and Reich and put the bank's facilities, both foreign and domestic, at the disposal of the Nazi leaders. Dr. Meyer, one of the bank's Vice-Presidents who held General's rank in the SS Elite Guard, was extremely active in promoting the latter's policies among industrialists. There is voluminous evidence on record attesting to the aggressive part the bank played in the "aryanization" of former Jewish properties and in the preparation of economic warfare against countries selected as future targets for attack by the Army. After outbreak of the war, it was quick to set up subsidiaries in Poland, Holland, Belgium, and France, all of which participated in the organized economic spoliation of these countries; documents found by American investigators have revealed the close cooperation by Gestapo and the SS Sicherheitsdienst (Secret political police) which the bank enjoyed as a reward for its services.

The Record of the Deutsche Bank

A very different picture indeed is presented by the Deutsche Bank. It was not until 1938 that this bank finally gave in to constant pressure to elect at least one Party member of its Board; and then the choice fell upon a figure head, the former personnel manager of the aryanized Aufhauser bank in Munich who remained without any influence on bank management and policies. Its pronounced reticence to participate in araynization of businesses despite the monetary gain involved concentrated Party disfavor on the Bank. When the annexation of Austria became a likelihood, the bank made a gentlemen's agreement with its Austrian correspondent, the Kreditanstalt-Bankverein, Vienna, concerning the arrangements to be made in case of an actual annexation of Austria; this agreement compares favorably with the tactics used by many other German banks in Austria after 1938.

Until long after outbreak of the war, the bank's credit policy remained an extremely guarded one with respect to all armament financing. Despite government guarantees, the bank refused to extend itself by way of amounts or maturities it deemed undesirable. It was partly as a result of these policies that the government was forced to organize its own credit agencies in order to supply the funds necessary for rearmament which was contrary to its own desires.

The last of the so-called "Big Six," the Berliner Handelsgesellschaft, falls into a category quite different from the first five, inasmuch as it is not a large commercial bank at all. It always ranked among the large Berlin banks because of its position in the local money market, but had a large private clientele which was as important as the select industrial business it cultivated, and should be classified as somewhere halfway between a commercial and a private bank, with total assets not much larger than those shown by the average large private banking house. Because of its old-established reputation, considerable pressure was exerted to bring it into the fold of government or Party Control; but vigorous opposition on the part of those in control always kept such influences out of the firm as much as was possible. Certainly, in its policies such influences did not figure at all; a course which repeatedly led to attacks on the bank in the Nazi press.

This, then, is the picture regarding the "Big Six" whose officials were blacklisted; three really were public or semi-public institutions; and two of the other three were as free of Nazi influence as any German bank could be under the totalitarian controls set up by the Third Reich. Savings and Mortgage banks, of course, by definition could contribute very little to the financing of any obnoxious activities. The extent of their participation in financing the German war effort is measured in terms of their purchase of Reich bonds and notes, the only legal investment open to them in a market completely drained of private investments. Refusal to take up the preallocated amounts of War Loan would not only have meant immediate closing of these institutions but also prompt internment of the entire management.

The private banks, which were becoming less and less important in the war-time economy, differed widely as to their attitudes. While some of the more ambitious ones, notably those ex-Jewish banks which had been "aryanized" after 1933, hewed fairly close to the Party Line and did their share of looting in the occupied countries, many others were able to remain completely free of any such taint. Since most of their industrial business remained in the same banks, the nature of their loans was determined by the customer's ability to secure war orders.

Punitive Action Has Discriminated Against Banker Profession

It is evident, from the above, that there was a great deal of divergence in the individual bank's attitude toward the Nazi state; and it can hardly be said that bankers, as a class, were any more prominent in the nefarious activities of that state than other businessmen. Nevertheless, action against them has been so notably more severe that one wonders whether the case against them, as planned, is purely a question of complicity in war crimes. Otherwise, it is difficult to reconcile this policy with the incomprehensible degree of leniency shown so far to the businessmen who, with or without the cooperation of banks, travelled all over Europe to acquire enterprises and fortunes in occupied and conquered countries, and who not only have not been prosecuted in any way (leave alone being classified as war criminals), but who are largely still free to enjoy their loot, much of which remains beyond the reach of the Allied Authorities in neutral countries.

It should be realized that, if and when these bankers, after two year's internment are finally brought to trial, in many cases the charges against them will consist of nothing more than their participation, as bankers, in the financing of the war through purchase of government securities and the extension of armament credits. Any conviction based on these charges will be punishment for the same acts which patriotic bankers in most of the victor states engaged in; and will, therefore, amount to nothing more nor less than to punish an arbitrarily selected group of Germans for the fact that their country lost the war—a dubious approach to the question of re-educating Germany as a whole, to democratic thought processes.

Paris Named Vice-Pres. Atlanta Reserve Bank

E. P. Paris, was recently appointed a Vice-President of the Federal Reserve Bank of Atlanta, and redesignated as head of the New Orleans Branch of the Atlanta Reserve Bank. He has been managing director of the branch bank since 1941, according to the New Orleans "Times Picayune" of Dec. 20, which also said:

W. S. Johnson, Executive Vice-President of the First National Bank of McComb City, Miss., and John Legier, President of the National American Bank in New Orleans, were reappointed directors of the New Orleans branch of the Federal Reserve Bank of Atlanta, it was announced on Dec. 19.

They will serve three-year terms beginning Jan. 1

Railroad Securities

The year 1946 has been one of readjustment not only of industry in general to a peace time basis but also of security prices to a more realistic appraisal of the status of, and prospects for, individual situations. As to whether or not the general decline in security prices during the second half of 1946 was warranted on the basis of the earnings outlook is a moot question, which only the passage of time will answer. There are certainly cogent arguments to support the contention that the overall pessimism has been carried too far and will have to be corrected just as the too enthusiastic speculative excesses had to be corrected. The main significance of the 1946 price movements, however, is to be found not in the general downtrend but in the varying response of individual issues to the change of seniment.

It is axiomatic that when a speculative bubble bursts the best as well as the poorest securities suffer. As a general rule, however, the better situated issues do display some greater resistance to the selling wave and when the selling is over recover more readily. The present instance has been no exception. The price performance of individual railroad stocks and bonds during 1946 differed widely. As measured by the Dow-Jones Average, railroad stocks declined some 17.5% between Dec. 31, 1945 and the closing week of 1946. Taking a list of 47 common stocks and speculative preferred stocks listed on the New York Stock Exchange during that period the declines ranged all the way from 3% for Kansas City Southern to 58% for St. Paul common. In passing it is interesting to note that both of these stocks are in the non-dividend paying class.

Of the 47 stocks studied only 12 did better than the Dow-Jones averages. The two Pocahontas roads, Chesapeake & Ohio and Norfolk & Western, were close behind Kansas City Southern, while the third, Virginian, was also among those having a performance superior to the averages. Only one road in the Eastern Region did better than the averages and that was Delaware & Hudson common. Only Western Pacific preferred represented the reorganization group among the stocks performing better than the averages. Of the 15 poorest performers, seven were securities of reorganization carriers. Katy preferred and common stocks were also among the most adversely affected stocks, as were Baltimore & Ohio preferred and the common stocks of Pittsburgh & West Virginia; Lackawanna; New York Central; Gulf, Mobile & Ohio and Lehigh Valley. The declines in this group ran from 41% to 58% in 1946.

Broadly speaking the speculative preferred stocks did not afford any considerably better price protection than did the common stocks of the same roads. In the list of 47 stocks studied there were 13 senior equities. In five cases (Baltimore & Ohio; Chicago & Eastern Illinois; Chicago Great Western; Erie, and Kansas City Southern) the senior stocks declined more percentagewise than did the junior stocks. In three other instances (Gulf, Mobile & Ohio; Katy, and Southern) the spread in favor of the preferred stocks was not too significant. While St. Paul and North Western preferreds held up appreciably better than did their commons, they could hardly be characterized as having given any degree of price stability. During 1946, the St. Paul preferred sold off more than 45% and North Western preferred nearly 35%.

Bonds below the investment grade also showed wide variations in price swings during the year. As an aftermath of speculative excesses the junior Denver & Rio Grande Western 5s, 1955 broke 55% from their final 1945 levels. In contrast, the better secured 4½s, 1936 of the same road declined only 4.3% to mark one of the best 1946 performances among representative defaulted bonds. Similarly, Missouri Pacific 1st & Refunding 5s dipped only 16% compared with declines of 38% and 36%, respectively for the General 4s and unsecured 5½s. Conversely, on more recent hopes of liberalization of its reorganization plan the unsecured Rock Island 4½s held up better than the senior General 4s.

On the whole, the new crop of Income bonds gave a pretty sorry account of themselves. As a group they have rebounded fairly sharply from the extreme lows of 1946 but even at that there are few that for the year as a whole gave as satisfactory a performance as the investment grade common stocks. Quite a number, including Baltimore & Ohio 4½s; Chicago & Eastern Illinois; Chicago Great Western; St. Paul "B"s, and Soo Line 4s entered the final week of the year 30% to 40% below the 1945 closing levels. Once again it has been demonstrated that it is impossible to look upon railroad securities as a single group. Investment programs must be built up on evaluation of individual situations rather than on broad generalities.

Redeem Cuba 5% Gold Bonds

J. P. Morgan & Co. Inc., as Fiscal Agents, is notifying holders of Republic of Cuba External Debt 5% Gold Bonds of 1914, due Feb. 1, 1949, that $345,400 principal amount of the bonds have been drawn by lot for redemption on Feb. 1, 1947, by operation of the sinking fund, at 102½% of the principal amount and accrued interest. Interest on the drawn bonds will cease on the redemption date. The drawn bonds will be payable on and after Feb. 1, 1947 at the office of J. P. Morgan & Co. Inc., New York City, or at the office of Morgan Grenfell & Co., Ltd. in London. On Dec. 19, 1946, the notice states, $36,700 principal amount of the bonds previously called for redemption were still unredeemed.

Exchange Colombia Gold Bonds

Holders of Republic of Colombia 6% External Sinking Fund Gold Bonds, dated July 1, 1927, due Jan. 1, 1961, and dated April 1, 1928, due Oct. 1, 1961, are being notified that the time within which they may exchange their bonds and appurtenant coupons for Republic of Colombia 3% External Sinking Fund Dollar Bonds, due Oct. 1, 1970, under an offer dated June 5, 1941, has been extended from Dec. 31, 1946 to Dec. 31, 1947. The period for the exchange of Convertible Certificates issued under the offer of the Republic has been similarly extended. Copies of these offers may be obtained upon application to The National City Bank of New York, Corporate Trust Department, 20 Exchange Place, New York 15, N. Y.

Romania Nationalizes Bank

On Dec. 20 the Romanian Parliament passed a bill nationalizing fully the National Bank, effective Jan. 1, according to Associated Press advices from Bucharest Dec. 21 appearing in the New York "Herald Tribune."

Labor Turmoil Ahead: "Now What to Do?"

(Continued from first page)

"Awkward Situation" with which we are now confronted.

Misplaced Question Mark?

Perhaps the question mark in the title of this article has been miplaced. Or, perhaps, there should be two question marks, namely: "Labor Turmoil Ahead? —Now What to Do?" Are labor unions, drunk with power and privilege, going to "tread softly" for a while, as a weekly news magazine recently hinted they might, until they see the lay of the land and get an idea of what the new Congress will propose and do? Or are they going to mark time until the Supreme Court renders its decision on the John L. Lewis and the UMWA case? In my opinion, they will not, and the recent promulgation of the "Nathan estimates" by the CIO, and the suggested wage demands in the CIO steel unions, in the automotive, electrical appliances, aluminum, and other industries, lend weight to this opinion. They are probably not going to be curbed until Congress itself, as the duly elected representatives of the people, establish the necessary curbs and corrections. In other words, organized labor will not willingly decrease its power and prestige, or relinquish any of the so-called "gains of Labor under the New Deal" until it is compelled to do so. What will be the compelling force—public opinion as it has been aroused in the hearts of the people, the courts, or the newly-elected Congress when it assembles in Jauary and begins to tackle the issue? Probably all three. But I do not believe that labor itself will make any serious attempts or take the initiative in any way to get behind any movement which would curtail, in any sense, its present privileged position.

Will Labor Correct Any of Its Own Mistakes?

What about the attitudes of local unions and local union members toward "wildcat strikes," and "intra-union exploitation"?[1] Despite numerous clauses inserted in union contracts for the purpose of prohibiting or reducing "wildcat strikes," there is apparently no remedy as long as unions themselves can violate their contracts at will, so that when local unions of a national union have some grievance which is fancied or real they do not let any union contract commitments stand in the way of their going on strike when they feel like it. The same is true under "jurisdictional disputes." There is no valid reason whatever why the operators or owners of an industry, or the general public, should be made to suffer losses and inconveniences simply because the unions themselves can not agree as to which union is the "bargaining agent" for the industry. Some possible remedies for these conditions will be suggested later.

Recently, however, a new form of intra-union exploitation has developed, whereby local craft unions of the A. F. or L. have prohibited some of their own members from taking advantage of the higher take-home pay which has been possible during the last several months, due to the general shortage of labor, unless all of the members of the local union can get the same pay for a workweek.

Take, for an example, two housing projects now under way in two Middle Western university or college towns. One is here at the University of Illinois, where some 11,800 veterans and 7,000 non-veteran students are trying to get an education. The other is in an Ohio college where the activities of the college dominate the life of the small town in which it is located. Both are under the Federal Public Housing Administration (FPHA).

Examples of Intra-Union Exploitation

For months past the FPHA has been getting supplies of prefabricated houses for Vets, in single, triple, and other multiple housing units, from Indiana, Nebraska, Iowa and other centers. These must be reassembled or put together initially in the local cities of Urbana-Champaign. The costs of bringing the houses here and of lumber and supplies to complete them is borne by the FPHA, but the University has to do the grading, put in the plumbing, and electric wiring. There has been a great shortage of carpenters, plumbers, painters, and other semi-skilled labor. The carpenters had been getting $1.60 per hour, but in late August went on strike for about three weeks or more, for an increase of 5c an hour in their wage. They lost more in net wages during that strike than the 5c increase will bring them in a year or two of steady employment. While many of the members of the local unions in these craft fields are Vets themselves, they did not hesitate to strike for a 5c increase in pay when some 4,000 of their former comrades in arms were being denied homes by such action.

But the intra-union exploitation came in in this way. Due to the strikes of local workers, and to long delays in getting necessary materials, both the contractors under the FPHA and the University were anxious to expedite matters as much as possible when operations were resumed. They not only were willing to give them the $1.65 per hour which the union demanded but were willing to give them not time-and-a-half but **double time** for all Saturday work above the forty hours put in during the first five days of each week. This meant a cash wage of $26.00 per day for every Saturday worked, much more than many highly trained teachers were getting! But when this had gone on for about two months, and had resulted in attracting many carpenters and plumbers from outside communities to this construction job, the senior members of the local unions, most of whom were employed on jobs with local contractors where they worked 40 hours per week, began to make strenuous objections to this program. They finally ruled by a slim majority vote in the union that this double time for Saturday could not go on, unless the general contractors and the University would take on all the members of the union who wanted to work on Saturdays at the $26 per day wage. The contractors immediately pointed out that they could not lay out their work for an indefinite number of carpenters on a given Saturday where 10 might show up on one Saturday or 150 on the next. But the union remained adamant, and all work over 40 hours per week had to be stopped. Many of the laborers from Decatur, Danville, Springfield and other centers who had come here because of the extra take-home pay per week, went back to their home communities to work on 40-hours per week jobs where they could live at home, with the result that some 4,000 or more veterans who had been promised homes, first by Sept. 15, then by Oct. 1 to 5, then

[1] Cf., Lee, Frederic Edward, "Rigid Wages, Unionization, and Reconversion Problems," in "Commercial and Financial Chronicle," Jan. 25, 1945, pp. 414-415.

again by Oct. 15 to Nov. 1, and then "finally" by Nov. 15, were served notice on the last date that it would be **at least five or six weeks more** before their "prefabs" could be made available. They are still living in basements, attics, converted garages, and in non-modern homes in small towns and villages, where they might have had their homes near the University before now had it not been for the "dog-in-the-manger" attitude of the local craft unions.

Other Types of Exploitation

Usually, in more normal times, intra-union exploitation takes place where, with increasing unemployment in an industry, the older members of the union, due to seniority rights, hold on to such jobs as are available at rigid wage scales which they will not allow to be reduced, while the younger and newer members are allowed to join the unemployed. In many instances of such exploitation of union members by their "brothers," there might be work for all under a lower wage scale, where the wage did not exceed the marginal productivity of the worker. But in the example above the members of the local craft unions who were able to get this greatly increased pay for a badly needed service were not allowed to because all of the union members could not get it.

The other case in an Ohio college town was somewhat similar although worked out on a somewhat different basis. Their houses came from Willow Run, Michigan, and were torn down and reassembled in the college community. Most of the carpenters, plumbers and painters were already employed on local contracts with contracting firms for whom they had been working for years. On most such contracts they were working 48 to 54 hours per week, with time-and-a-half for all overtime above a 40-hour week. Their unions ruled, and the FPHA contractor who was employed by the government agreed, that the work-week on the college-housing program should be limited to a 40-hour week in comparison with the 48-hour week being allowed for union members working in private industry. As a matter of fact, the Administration in Washington insisted that the work-week on this job must not exceed 40 hours. Therefore, when the houses were ready for reassembly near the college campus no local carpenters would leave their 48-hour per week jobs to take work with the housing project. Work was delayed for six weeks before a sufficient number of laborers could be induced to switch from other jobs to the Federal program.

As September approached with little done on the houses the retiring President of the College sent out personal letters to some 200 or more Vets who had been on the campus for one of the two preceding semesters and who expected to return. He told them that they needed about 300 carpenters and helpers and had less than 50. They had about five plumbers and needed at least 75, and painters were not to be found. He called upon them to return about the first week in September and if any of them could handle a hammer and saw, a paint brush, or become a plumber's helper, to do so by all means. About 150 of them responded, only to find that when they reached the college town all unions there were working under the closed shop. They could not carry a pipe, pick up a hammer or paint brush until they paid the required entrance fee to the unions and agreed to the checkoff on their weekly or daily wages. Virtually none of them would join the unions, hence they paid board for two or three weeks while waiting for the fall semester to open, unable to lend any help in the face of the acute manpower shortage. By mid-November when the houses had been delayed by two months, the contractor reported that there was only one plumber on the job, and that it was not until recently that the carpenter shortage had been partially met by importing 28 men from Mississippi. Bear in mind that many of the local union members were Vets themselves and were either overruled by their seniors or were unwilling to overcome such difficulties even in order to provide badly needed housing for hundreds of their fellow ex-servicemen.

Will Self-Improvement Take Place?

Such examples and instances raise the question "Will the unions themselves do anything to correct such abuses which, among other things, have brought trade unionism into so much disrepute in thousands of local communities throughout the nation?" I doubt it. Certainly not as long as monopolistic unions have so much power as they now exercise over the economic life of their communities. They have not yet learned that, drunk with power which they have assumed or have been granted, they may, if they have not already done so, abuse that power to the extent that constructive labor legislation may be set back a score of years or more, and even punitive legislation may be demanded by an outraged public. As British labor leaders said after the failure of the general strike in 1926 and their great loss in numbers, "When we had the power, we did not have the sense to use that power wisely. . . . Now, with reduced strength, may we be willing to use such powers as we have wisely, in order to bring about greater cooperation between employers and employees in the common task of securing greater production of needed goods."[2] This became virtually a new objective for British Trade Unionism for several years after 1928.

With UAW of the CIO having failed to take a lesson from its tremendous losses through the prolonged strike of a year ago, with the consequent setback to the reconversion program and the pricing of new automobiles out of the reach of those who make them, we find them now coming forward with the demand for another 23½c per hour increase in wages. And again they use the same argument of a year ago, as promulgated by dyed-in-the-wool New Deal economists, that such an increase in wages can be made without any further increase in prices! They are to be followed almost at once with similar or higher demands by Phil Murray's CIO United Steel Workers, the CIO United Electrical Workers, and later by petroleum, chemical, leather, packinghouse, lumber and railroad workers, to mention only a few AFL and CIO unions who went through the same sort of strike program a year ago, with such evident results in the cost of living and the nation's economy.

"Now What to Do?"

With the "Awkward Situation" now before us, primitive man's question of "Now What to Do?" is of paramount importance. A revived and revised Case Bill with constructive rather than definitely punitive measures included, may be one answer. Certainly labor's monopoly powers must be curbed, and unions' rights and duties in connection with contracts should be the same as those imposed on management. The unions should be held to strict accountability, through incorporation or otherwise, both to their members and the public for every cent of revenues they take in and for **every payment** they make. Through incorporation they should be put into the position where they may be sued for breach of contract just as management corporations are. The Wagner Labor Relations Act, the Smith-Connolly Act, and even the Norris-LaGuardia Act should be so amended that labor's monopoly powers are abolished, and that real collective bargaining can again be possible.[3]

Should the Closed Shop, the Check-off and Union Maintenance Survive?

Any labor leader reading this article, if any there are, would immediately throw it down when even the question is asked in a sober and unimpassioned mood, as to whether the closed shop, the check-off and the union maintenance clause in contracts should be continued. In my own considered opinion there is nothing more un-American or un-democratic than this notorious triumverate of union policy, which to even question, puts one in the ranks of "union-busters" at once with all labor leaders, and with most labor economists who stand "just a little left of center." The States themselves may determine the closed shop issue unless a Supreme Court that does not follow the election returns rules otherwise regarding the amendments to state constitutions that are now being passed providing for the outlawing of the closed shop. Why a free man in a free economy cannot work where and when he pleases without a union interfering, is a question that has always been unanswerable to an economist who, like myself, stands a "little, possibly more than a **little, to the right of center.**" Why a group of idle college men in a college town cannot take up a saw, or paintbrush, or a piece of pipe, and help out for a few weeks in a desperately needed housing program without union approval, is again a question that is beyond me.

British unions have worked successfully for nearly a century, and some even for longer, without ever a mention of a check-off or a union maintenance clause in their contracts. My own feeling regarding the check-off system whereby the employers must deduct union dues from the laborer's pay check to make sure that he pays such dues, is that this is a strong indication of the weakness of the unions where they are afraid to stand on their own feet. If the members of the union do not want to pay dues to it of their own volition and without the compulsion of the check-off, then the union should go down or be compelled to change its ways and practices to the extent that laborers want to belong to it and to continue their membership.

The same is true, in general, for the union maintenance clause in contracts, where if a man joins the union to get or maintain his job in an industry, the employer must see to it that he keeps up his union membership as long as he works for that firm or industry, and that if he chooses to leave the union he must be discharged by the employer. While the analogy is not perfect, this is something like requiring a college teacher who secures a job in a politically-dominated state university while being a Democrat, a Congregationalist, and a Mason, to forfeit his job and tenure if he should become a Republican or a Catholic! Last year when the Army took over some of the plants of Montgomery Ward and Company, a minister in a large congregation referred to Sewell Avery as "that old fossil," because he would not require union maintenance in a CIO union that wanted to dominate all of the activities of the firm, even usurping the functions of management.

Not in rancour, therefore, nor in the heat of unconsidered argument, my own opinion is that, for the ultimate good of the unions themselves, such un-American practices and attitudes as those involved in the closed shop, the check-off, and union maintenance provisions should not survive, and that our labor legislation should be amended accordingly. In these and in similar steps we may answer in part the question, "Now What to Do?".

[2] Paraphrased from a statement made by James Thomas, former Lord Privy Seal under Ramsey MacDonald's first Labor Government, in the presence of this author, at the 60th Jubilee Trades Union Congress in Swansea, Wales, in September, 1928.

[3] For fuller list of recent proposals for new legislation, see "Commercial and Financial Chronicle" for Dec. 5, 1946, p. 2939, where Senator Alexander Wiley, of Wisconsin, sets forth his views in a 10-point program.

The "Undervalued" Sterling

(Continued from page 6)

the undervaluation of Sterling tends, in existing circumstances to increase the British trade deficit.

There is in Britain for all practical purposes full employment and nobody would think of deliberately stimulating exports, with the aid of an undervalued Sterling, for the sake of creating employment. Even in the '30s it was foolish to sell abroad at unduly low prices as a result of the undervaluation of Sterling, for the sake of creating employment. But now when there is no unemployment available for export, it is an unmitigated disadvantage.

While undervaluation tends to raise prices, overvaluation tends to lower them, owing to the possibility of securing imports at cheap prices. While in the '30s it was an advantage for Britain to have an undervalued Sterling in order to avoid a fall of prices, in the '40s an undervalued Sterling means a factor making for the accentuation of the rising trend of British prices.

The fact that has done more towards waking up British official opinions to the realities of the changed situation was the breakdown of the Anglo-Danish trade negotiations. The Danish krone is overvalued in relation to Sterling. As a result, Danish food is far too expensive for Britain. As the Government is already spending some £360,000,000 per annum on subsidies to keep down the cost of living, it is not at all keen on spending additional millions by buying Danish bacon and butter and selling it to the British consumers at a big loss. The Danish Government, on the other hand, was not prepared to subsidize Danish exports to Britain, seeing that other countries were only too willing to pay the high prices at which Britain refused to buy. The explanation of the willingness and ability of France, Poland and other continental countries to outbid Britain is that their exchanges, too, are grossly overvalued in relation to the pound. Their internal prices were well above international parities, if compared on the basis of the official exchange rates. For this reason, the Danish prices which appeared too dear to Britain, appeared cheap to these countries.

This brings us to a grave disadvantage of the overvaluation of Sterling in existing circumstances. It handicaps Britain in the worldwide scramble for the limited quantities of exportable food and raw material surpluses the producing countries possess. The case of Denmark is characteristic in this respect. Much-needed foodstuffs, which the Danes are only too keen on selling to their traditional British markets, have to be allowed to go to other countries, not because they are in a financially stronger position than Britain—far from it!—but because of the technical position caused by the overvaluation of their exchanges in relation to the pound.

It seems that Sterling is at present undervalued in relation to the large majority of currencies. Although it would require a very thorough investigation to ascertain the exact position, on the basis of the relative change of index numbers of prices and costs, Britain seems to be at present one of the cheapest countries. Nor is this purely accidental. There seems to be a deliberate policy pursued by many Governments, aiming at the overvaluation of their currencies. This movement appears to be as widespread as was the opposite movement, the currency depreciation race, aiming at undervaluation, after 1931.

Fashions in monetary policy are evidently apt to change. There is one thing common to both trends in policy: they both tend to create international disequilibrium. Nations are endeavoring to secure for themselves advantages at the expense of other nations by causing their currencies to be overvalued, or maintaining them at an overvalued level, just as during the '30s shortsighted monetary nationalism induced them to depreciate their currencies and to secure their undervaluation.

It was precisely to fight against such tendencies that the International Monetary Fund was brought into existence, and was endowed with unprecedented super-national powers in order to be able to resist monetary nationalism leading to international disequilibrium. The first major decision taken by the Fund, confirming, for the time being at any rate, the overvalued parities, appears to indicate, however, that instead of making use of its powers for constructive purposes, the Fund prefers to take the line of the least resistance.

In justice to them, we must admit that, as far as is known here, they have not been subject on the part of Britain to any considerable pressure to take up a firm stand against the policy of deliberate overvaluation of currencies. The disadvantages of an undervalued currency are only just beginning to be realized in London. Practically nothing has been said about this subject in Parliament or in the press. It is far too technical to be understandable to the average member of the public, or even to the average politician. So the Fund yielded to pressure in favor of accepting the declared parities, in the absence of adequate pressure to the contrary.

Admittedly, the Fund will embark on an effort to re-examine the parities it accepted, and to try to persuade the Governments concerned to change them. In any case, the overvaluation of parities will lead, in the case of the weak countries, to a speedy exhaustion of their facilities with the Fund. Then the Governments concerned may all conceivably be allowed to be persuaded to correct the overvaluation of their currencies. But by then the situation will have changed once more. By then the world will have turned into a buyers' market, calling for undervaluation rather than overvaluation in order to improve the trade balance, to keep down unemployment and to resist the declining trend in prices—just as in the '30s. Thus Britain, having to face now the disadvantages of an undervalued currency, will not be able to enjoy its advantages a year or two hence, because by then everybody will want to undervalue their currencies.

Lee Huey Opens in Omaha

OMAHA, NEB.—Lee A. Huey Company has been formed with offices in the Omaha National Bank Building. Mr. Huey was previously with Central Securities Co.

Mutual Funds

By BRUCE WILLIAMS

Outlook for 1947

Indications point to another year of substantial growth in assets and sales in 1947 for investment companies.

Among the factors which indicate increased demand for investment company shares during the coming year are the following:

1. The increased selectivity in security markets, causing the inexperienced individual investor to be confused by the backing and filling of markets.

No longer can the individual investor so cockily and confidently rely on his own but often unseasoned judgment. It was an easy matter for individuals to "pick 'em" during the long four-year bull market which ended last autumn, because practically all equities were appreciating in value. Now, however, the experienced professional management offered by investment companies, with their able research staffs and seasoned judgment, will be of even greater appeal to individual investors by relieving them of the worry and problems of investing in selective markets.

2. The wide range in choice of type of funds available to meet the particular need.

For defensive purposes, as a hedge on the security markets, the specialty funds, affording diversification in bonds or stocks or in particular industries, and the balanced funds, with their varying proportions of defensive and aggressive securities, will undoubtedly continue to have considerable investor appeal.

3. Attractive discounts available to dealers in selling investment company shares.

Dealers who face the problem of what to sell in 1947 may well look into the matter of increasing their promotion of investment company shares, first because of their outstanding advantages for individual investors and special advantages for other types of investors, and also because of the remunerative dealers terms. Dealers will find of great assistance the efficient distribution systems maintained by investment companies, and their constant supply of selling aids, ideas and information. Then, too, the assured marketability for investment company shares will continue to appeal to dealers and investors alike.

Total assets of open-end investment companies were estimated in mid-year 1946 at approximately $1½ billion, compared with $1.3 billion at the close of 1945. Total assets probably reached the $1¾ billion mark as of the close of 1946, and with the demand continuing, a new record total of $2 billion should be readily attained by mid-year of 1947.

This is substantial progress—phenomenal growth, in fact, considering the relatively few years in which it has been achieved. Looking backward, perhaps the greatest impetus to growth was the passage of beneficial tax legislation beginning in 1936. Prior to that year, open-end investment companies were subject to taxes on security profits at full corporate tax rates, so that shareholders receiving dividends from these profits were subject to full individual surtax rates in addition to the taxes already paid by the investment companies—double taxation.

Since 1936, however, this situation has been corrected by tax legislation, and today, practically all companies qualify as Regulated Investment Companies. As such, they are taxed only on the excess of net income and net capital gains over dividends paid to stockholders, and if such dividends paid equal or exceed the net income and net capital gains, the investment companies pay no tax whatever.

This tax advantage, therefore, in effect places the shareholders of investment companies in the same position as if they directly owned the underlying securities, but with the added advantages of experienced management and diversification. The very fact that Congress passed this special tax legislation for the benefit of investment companies indicates the high regard generally held for investment companies and for the service they provide for investors.

News and Views

Affiliated Fund—New prospectus dated Dec. 10, 1946 now available.

Distributors Group—Now distributing copies of booklet, "Safeguarding Your Savings," sponsored by The Better Business Bureau, which favorably mentions investment companies.

Investors Mutual—Net assets Dec. 20, 1946 totaled $95,604,663. Net asset value was $12.84 per share as of that date. Shareholders now number more than 47,000.

Keystone Custodian Funds—Latest "Keynotes" calls attention to similarity of fluctuation pattern followed by American and London industrials during past 17 years, but fact that London industrials have recovered from 1946 low to levels which are 15% above the 1929 peak, whereas American industrials at recent low were 57% below the 1929 peak.

National Securities & Research—Latest edition of "Investment Timing" is devoted to comprehensive "1947 Outlook for Business and Securities." Conclusion of this study: that after business readjustment in early months of 1947, later months of 1947 will witness rapid business advance.

New York Stocks—Special booklets on Metals Series highlight the favorable earnings outlook for metals shares under price decontrol, and the lower market levels at which metals shares are currently available. Similar booklets available on Steel Industry Series, pointing to higher current earnings for steel stocks than in 1937, yet lower current markets for steel shares compared with 1937.

Selected American Shares—Preliminary reports indicate that shareholders elected to take 60% or more of the recent capital profits distribution in new shares of stock.

Union Funds—Reviews dated Nov. 30, 1946 are now available on all series—UBA, UBB, UBC, UPS and UCS, outlining Federal tax status of all dividends paid in 1946, six-year dividend record, list of holdings, and six-year high and low range of offering price. Special study prepared by management company also available on portfolio of Union Preferred Stock Fund.

Dividends

Affiliated Fund—Quarterly dividend of 4c per share has been declared, payable Jan. 20, 1947 to holders of record Jan. 10, 1947. Total dividends paid in 1946 were $0.883 per share ($0.133 regular and 75c optional in cash or stock).

American Business Shares—Bulletin outlines Federal tax status of all dividends paid in 1946.

Commonwealth Investment—Dividend of 24c per share was paid Dec. 24, 1946, to holders of record Dec. 14, 1946, bringing total 1946 dividends to 42c per share. Approximately 17c per share of the December dividend represented distribution of net profits on sale of securities.

Investors Mutual—Dividend of 12c per share has been declared as first quarterly dividend of current fiscal year, payable Jan. 21, 1947 to holders of record Dec. 31, 1946.

[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.]

Washington And You

(Continued from page 5)

Dewey wasn't smart when he strode into the Republican leadership scramble by tagging Indiana's Representative Halleck as his personal candidate. That irks members who like Halleck for leader but dislike Dewey for President. The result—more hard feelings all around.

* * *

One exception to the legislation-as-usual routine may be a bill dealing with portal-to-portal pay. It wouldn't be startling if Congress did speed that one to the President.

* * *

Certain to be continued is the special Senate Committee on Small Business. Theme of that group's agenda will be bigger and better RFC loans for little businessmen. It's a good springboard for headlines, may produce little else.

* * *

Withdrawal of certain government privileges from obstreperous unions will be seriously pondered, may be sanctioned by Congress. The proposition stems from reasoning that while legislation making men work might be without force, legislation denying Federal benefits to men who won't work might discourage striking. Abhorred by some of the legal gentry, it won't be cast aside until explored. Like Jehovah, Congress gives and Congress can take way.

* * *

Look for a revival of the New Deal-public utility feud when the Southwestern Power Administration begs Congress for $8,000,000 in the coming fiscal year. REA and co-ops will back the plea. Power companies in the affected area will demand a curb on this paternalism, will warn of surplus lines and steam plants and resultant waste of taxpayers' funds.

* * *

Justice Department trust busters are plodding to an inevitable scrimmage with the realism of competitive economy. In some cases, at least, the Department is tending to prevent price cuts by frowning on big business expansion. Ultimately consumers will wise up to this fact, will want an accounting.

* * *

Labor Secretary Schwellenbach grows increasingly unhappy. Ardent wearer of the New Deal crown, he has lost favor in Truman's White House. In the drafting of labor legislation he will be largely ignored. His resignation wouldn't be surprising—or shocking.

* * *

Liquid individual savings are lowest in six years, borrowing is booming athwart the nation, spending is rising. Those are the economic puzzle-pieces collected by government economists. On how they fit together, for either immediate or long-term future, there's no agreement. The crystal ball boys are perplexed.

* * *

U. S. Commercial Company is under the microscope and will be found by some industries to threaten an epidemic of Federal competition. An instrument of the government, the company imports materials received by the U. S. under reciprocal aid, sells them through regular trade channels here. To the last of September, $200,000,000 had been collected by such operations. Direct competition is foreseen unless such deals are curtailed.

* * *

Tax revision muddle becomes even more muddled. You can mark down only one certainty—some individual income tax cut will be voted. But discount talk of specific formulas as premature guesswork.

* * *

President Truman wants a graduated cut, with low income people receiving greatest relief percentage wise. He would like to see present exemption levels raised. This philosophy collides with Republican pre-election pledge of 20% slash all across the board. Responsible GOP officers have now lowered their sights to less than 20% but still aim at one universal reduction. Democrats will needle them for their empty 20% promise, may side with the White House. On the outcome, your guess is as good as the next fellow's.

* * *

Official financial news took time off during the holidays—so completely, in fact, that Treasury Secretary Snyder cancelled press conferences for the Christmas and New Year weeks.

* * *

Treasury officials are seeking adequate funds with which to wind up lend-lease obligations, may turn to Congress. Approximately $30,000,000 in lend-lease goods remained undelivered to foreign nations on Dec. 31. On that same date, Treasury found itself without necessary administrative money, but from the White House comes word that "in view of the importance of fulfilling commitments which the United States has made to other governments . . . arrangements are contemplated which will make possible the remaining pipeline deliveries in a manner consistent with existing legislation."

* * *

There's a good chance the House may vote to scan the International Bank. Sponsors of the enabling legislation aren't satisfied with the Bank to date, feel legislative hypodermic is perhaps advisable.

* * *

Outlook for the tire industry is continued production at high altitude during the first half of 1947 and then a retreat to lower level as demand levels off. Contrary to expectations, truck and bus tire production has recently reached cosmic stature, likely will total 15,000,000 units for 1946. Production for the industry in 1947 is to stabilize around 12,000,000 bus and truck tires and 70,000,000 passenger and motorcycle tires.

* * *

U. S. doors won't be opened to displaced persons in 1947, may even be closed tighter. At the Capitol, a quick freeze reception is being readied for President Truman's bill inviting 450,000 war displacees to enter this country. The President will be tartly told we should put our own economic and social house in order before further overcrowding.

* * *

Make a New Year resolution to keep an eye on unhappy Reserve Board directors holding Regulation W in their lap. This war-born baby has outgrown his welcome, may be dumped by the entire Board one of these days.

International Monetary Problems

(Continued from page 7)

ing power by *bringing budgets under control*, so that no new notes need to be printed to fill the gap between expenditure and revenue.

Government expenditure must be subject to a thorough overhauling so as to eliminate superfluities and prevent too large an administrative establishment from reacting unfavorably on the budget position and on the standard of living—this being a measure which all countries should adopt after the war. The task of reviewing the State finances, with particular emphasis on cuts in expenditure and the revision of the taxation system, may in part be entrusted to independent persons of experience, collaborating with members of official bodies.

(iv) In order to achieve financial and economic recovery, a country must have *a resolute government assured of adequate stability and continuity*. In the occupied countries, the responsibility necessarily rests on the occupying powers in so far as they carry out the functions of government.

(v) When the deterioration in the position of any country or area has gone so far that serious inflation threatens, no piecemeal solutions will suffice, but there is more need than ever to devise a *really comprehensive scheme* providing for a proper balance in the central and local budgets, the reconstitution of adequate monetary reserves, a sound relationship in the cost and price structure both internally and in relation to other countries, with sufficient resources available for economic development. Foreign payments on reparation and other accounts must be adjusted to the volume of foreign deliveries which can be made without unduly straining the financial position of the debtor countries.

(vi) While efforts are being made to arrive at a permanent policy, palliative measures of *relief* will usually be essential, but they should be fitted at the earliest possible moment into a more substantial scheme. *Foreign financial aid* is urgently needed by certain countries, but such aid should be used to rebuild what the war has destroyed and for other constructive developments as indicated in (v) above. If it were used to evade the task of adjustment, it might easily become a downright misfortune.

2. On the other hand, practically all countries, even those which have a sound budget position, are faced with *domestic difficulties inherent in a period of transition from war to peace.*

(i) In wartime, when the main task was to *reduce* private consumption, *price control* reinforced by such measures as subsidies, quotas, restrictions on wage increases, rationing, etc., helped to keep back the rise in prices. Now that peace has returned and private consumption should expand, the price and cost system has again to function in a normal manner, and control may prove a definite obstruction to greater activity and increased output. As soon as the acute wartime shortages disappear in one branch after the other, the control should be lifted. In view of the great shortage of houses, *rents* may have to be regulated for some time to come, but there also, a gradual adjustment should be made in each country to the new level of average purchasing power of the national currency.

(ii) *Government subsidies of different kinds* have more often than not been further increased since the war ended. These subsidies should be gradually liquidated, for not only do they distort the cost and price structure (a serious matter in itself), but they delay the moment when a true equilibrium in the national accounts can be established, the deficits absorbing amounts which may be badly needed in the task of reconstruction.

(iii) Particular attention must be devoted to *moderating the present boom* induced by a strong demand for consumption goods and supported by great investment activity in essential goods industries. According to the widely accepted principles of modern business cycle policy, the task of the government is to moderate such a boom by achieving a real budget surplus, which means, among other things, the limitation of expenditure including the postponement of new public works in every practicable way. But other measures must be added, including means to guard against unduly easy conditions on the money and capital markets, and great caution in making price and wage increases and in regard to industrial expansion.

There seems to be little likelihood that the next downward turn of the business cycle will resemble the great depression of 1930-33. If a comparison is to be made, it might be better to make it with the brief recession of 1920-21. The Chamber wishes to point out how dangerous it is for wide circles to think too much in terms of past experience at a time when the fundamental conditions obtaining are in many respects totally different.

(iv) To guard against an increase in the *already heavy public debts*, a real reduction should in the future be made during any period of relatively prosperous years; the opportunity should in particular be taken whenever possible to devote the proceeds of sales of wartime government assets to the retirement of debt. Moreover, efforts should be made to bring new government issues, whether long or short term, as well as bank holdings of government bonds into the hands of the investing public and of such institutions as insurance companies and savings banks.

(v) During the war, treasuries have had (and in some cases still have) a monopoly position on the money and capital markets and have, as monopolists, been able to fix lower *rates of interest* in spite of all their borrowing. But *very low interest rates are not necessarily innocuous.* The perpetuation of such rates would make monetary management more difficult, since one of the instruments would be lost which proved useful in the past for influencing economic developments. Treasuries and other monetary authorities should begin to think in flexible and not in rigid terms in this field also.

3. In modern economic life, the national and international aspects are closely interwoven, but *some problems are, even so, primarily international in character.*

(i) To restore a smoothly working international monetary system, it will be necessary to *arrive at economically tenable rates of exchange to be kept stable within a system of free exchange markets for all current payments and for normal transfers on capital account.* There can be little hope of establishing such a system without vigorously furthering a free exchange of goods and services.

The Chamber welcomes the intention announced by the International Monetary Fund to proceed with establishing initial par values for currencies that have an element of stability although realizing that conditions are not ideal for determining at this time the ultimate structures of exchange rates.

Thus, the par value determination for some currencies must be deferred until the economic and monetary situation of the countries concerned has improved, but a core of exchange stability should in the meantime make it possible gradually to fit all currencies into the exchange rate structure and enhance the prospect of orderly exchange arrangements.

The Bretton Woods scheme allows variations in exchange rates in cases of fundamental disequilibrium and, when such a disequilibrium exists and cannot in practice be corrected by cost and adjustment, it is in the general interest that an alteration in the exchange rate should be made as soon as possible. But, even so, the advantage of stable rates should not lightly be thrown away and no country should be allowed to resort to an alteration in its rate of exchange simply as a matter of business cycle policy. A "beggar-your-neighbor" attitude is incompatible with a growth of confident collaboration.

(ii) The abandonment of the old gold standard has in many countries brought about a situation under which important monetary changes can be made simply by administrative decree. Adherence to the Bretton Woods scheme already involves some greater definiteness of policy; but beyond that, further steps may suitably be taken in each individual country by parliamentary control over currency matters, and whenever practicable, by the adoption of specific monetary provisions with the force of law.

To achieve greater monetary security, the central banks must not be subservient to any particular interest. It is also important that the various international monetary authorities established by inter-governmental agreement should preserve independence of outlook, when confronted with all the different interests which are bound to bear upon them.

(iii) Many countries possess a *sufficiency of monetary reserves*, but some need substantial financial support from abroad. So far, most international lending has been arranged between public agencies, but official financing needs to be supplemented whenever possible by private activity, and this activity ought gradually to gain in importance. An increased employment of funds through private channels is more capable of satisfying a great variety of needs. Individual private credits, more closely linked to a movement of goods, can as a rule be more easily adapted to changing circumstances than large blocks of official financing. Private credits, moreover, make use of funds naturally accumulating in the market from current savings instead of relying on new money derived from the central banks.

The resources of the main lending countries are necessarily limited, these countries being forced to pay close attention to the possibilities of actual deliveries of goods and services—a realistic consideration which the borrowers also must take into account.

(iv) The Chamber recommends that *all countries should adhere as soon as possible to the Bretton Woods institution*, which, although not perfect, offer a real chance of international monetary collaboration. The Chamber hopes that, when difficulties arise, these institutions will be in a position to take action at an early stage and thus stave off currency depreciations and other disturbing measures. Care must be taken to ensure that the resources of the Fund and the Bank are not dissipated in a way which would only prolong the duration of a serious maladjustment. Finally, the Chamber hopes that in time various modifications may be made in the statutes and practices of these institutions according to the experience acquired.

(v) Perhaps the most urgent problem to which the Bretton Woods Bank should give its attention is the economic and financial recovery of countries that have particularly suffered from the war. In line with the principles set out above, the Chamber recommends that, however urgent the need, the lending should be done as part of a constructive scheme holding out the hope of real economic recovery on the basis of a financial stabilization.

(vi) In this connection the Chamber wishes to make one general observation and recommendation to all countries, great and small. In connection with the important work carried out by the League of Nations for financial reconstruction after the first world war, it unfortunately came to be regarded as a sign of inferiority for a country to have resort to the expert advice which the League could give. In some earlier periods of European history, as in the sixteenth and seventeenth centuries, the most powerful countries did not hesitate to call in eminent persons from abroad for consultation. It would be a great advantage if a similar practice were to prevail again. The outside expert, trained in a different milieu, is often better able than the nationals of the country concerned to get a new slant on its problems. Representatives of an international institution will, moreover, as a rule approach a problem with real objectivity—a circumstance of importance in matters of currency and international lending. The Chamber hopes for signs of a general willingness to have resort to outside expert aid and urges its National Committees to take into consideration the advantages which international consultation may bring.

4. While there are certain universal features in the world's monetary situation, *some problems and responsibilities are peculiar to particular countries and areas.* The various countries of the world show a variety of conditions, with great achievements in some cases and less progress, sometimes even acute distress, in others. A special importance attaches to the realization in the United States of a level of economic activity steady enough to serve generally as a basis of adjustment of prices and exchanges. The Chamber further hopes that the United States will continue to take a lead in the movement for freer trade, which is so important also from a monetary point of view.

5. Finally, the Chamber must emphasize what is so obvious but still so important, namely that without expansion in the output of goods and services, there can be no steady increase in the standard of living and no true basis found for a solution of the monetary problems. In fact, monetary and economic policy must be so framed as to stimulate the development of available resources and the working out of new ideas with sufficient scope given to enterprise and initiative for men to assume the risks involved in all economic progress.

Canadian Securities

By WILLIAM J. McKAY

Canadian achievements during the past year are many and varied. Canadian prospects were never higher. Despite basic economic changes during which the Dominion has passed from an essentially youthful agricultural stage to one of adult maturity with Canadian industrial development competing boldly with that of the older industrial powers, the Canadian index of stability remains unchallenged. Labor difficulties have been acute but their settlement has been effective and durable. Prices have risen but have remained in a comparatively narrow range. The index of wholesale prices during the critical period of January to October increased only from 104.6 to 110.8; in the same period similar prices in this country mounted from 107.1 to 134.1.

During the year there was evidence of increasing shortages in basic materials throughout the world but in Canada the main preoccupation was to find suitable outlets for the marketing of surplus production.

In the field of finance the Dominion has had to parry inflationary pressures from without as a direct result of Canada's outstanding economic stability compared with that of the rest of the world. As a defensive measure the parity of the Canadian dollar was raised to par vis-a-vis the U. S. dollar. This has provoked reasonable criticism in view of the normal trading deficit with this country, but sufficient emphasis has not been placed on the Dominion's overall favorable foregn commercal position in relation to the world at large. As soon as multilateral conversion of foreign currencies becomes a practical matter, Canada's overwhelming volume of exports in comparison with essential imports should place the Canadian dollar in an invulnerable foreign exchange position.

Attracted by lower costs and the generally stable economic and political situation within the Dominion the flow of foreign industry during the year towards Canada was at an unusually high level. The movement was accentuated from this country but the most significant movement was the migration of industry from the United Kingdom.

The latter development is logical and inevitable. The socialization of industry in Britain together with the impoverishment of the natural resources of the British Isles compels British industrial enterprises to look to fresh unfettered fields. In this respect the Dominion of Canada fulfills every requirement. Unbounded space for industrial development with unrivalled natural resources is available in a British Dominion where private enterprise is not suspect but is even encouraged.

Above all it is now realized in Britain that in this atomic age British industry must be decentralized. Just as prior to the war the happy conception of the installation of British air power in Canada did so much to save the Mother Country, so today British industry looks to Canada for its salvation and profitable development.

Thus the recent establishment within the Dominion of the world famous Clyde-side firm of Thomas Firth & John Brown following the earlier installation of the British aircraft essential units of Hawker-Siddely and Rolls-Royce, are significant straws in the wind indicative of the commencement of a mass migration of British modern industry to Canada. Additional confirmation is provided by the report that both the Canadian and British Governments had a hand in the Firth-Brown development. This step would also suggest that it will not be long before Canada's fast-growing shipyards will vie with those of Glasgow and Belfast in world importance.

During the past week the securities markets were again dominated by the activity in Dominion internals. In spite of end-year liquidation this section of the market held firm with the long term 3's steady either side of 99. Free funds, still influenced by adjustment operations for the year-end, fluctuated between 4½ and 5%. With the anticipated cessation of special sales both the exchange and internal bonds should show a definite improvement in the new year.

External bonds displayed little activity and transactions in internal stocks were largely confined to the customary year-end operations. Gold stocks continued to discount imminent favorable tax adjustments on the part of the Federal Government.

N. Y. Curb Exchange Plans Securities Transfer Service

Plans for a centralized securities transfer service for members of the New York Curb Exchange Securities Clearing Corporation have been developed and perfected to a point where it has become possible to set Jan. 6, as the inauguration date for the new procedure, Fred C. Moffatt, President of the Corporation, stated on Dec. 26. Member firms are being notified of the features of the new service and instructed to apply for the forms and stationery necessary for participation in the plan, Mr. Moffatt said. The advices from the Exchange state:

"The plan constitutes a revision of a central transfer service offered to member firms earlier this year and later abandoned because of a delivery schedule too rigid to meet the requirements of the member firms. Where the earlier plan called for delivery of securities by contract with an armored trucking company, the Curb Clearing Corporation will now supply its own staff of messengers to effect prompt and continuing deliveries to 42 transfer agents in lower Manhattan below Chambers Street, beginning shortly after 9 a.m. Curb messengers will also pick up transferred securities from the transfer agents, with member firms able to make their pickups from the Curb between 12:03 and 3 each afternoon. Deliveries of securities to the Curb for transfer will be made by member firms between 9 and 9:30 each morning.

"Perfection of the system to be put into effect next month is the work of the Curb Clearing Corporation and the Cashiers Section of the Association of Stock Exchange Firms, with the cooperation of the New York Stock Transfer Association."

Mr. Moffatt stated his belief that a central transfer system would prove of great value to the participating brokerage firms and the transfer agents, by effecting consolidation of a large number of individual deliveries into one systematic operation. Additional transfer agents in Manhattan will be included under the plan if such action proves reasonable, according to the announcement.

Canada Trade Balance With Us Unfavorable

A feature of Canada's external trade position this year has been the return to an unfavorable balance of merchandise trade with the United States, according to the Business Summary of Dec. 21 issued by the Bank of Montreal. In the first ten months of 1946 imports from the United States of $1,110 millions exceeded exports to this country by $379 millions. In the corresponding period of 1945, Canadian merchandise trade with the United States resulted in an excess of exports from Canada of $25 millions, an abnormal departure from the historical pattern of an excess of imports from the United States.

Are Corporate Profits Exaggerated?

(Continued from page 2)

Nov. 28, 1946), who stated in an address in New York City on Nov. 19:

"It's being hoggish that causes trouble to individuals and business as a whole, and to labor as well. The constantly repeated assertion that industry, for instance, is suffering terrible things as a result of labor compulsion just isn't so, except in a few cases among leading corporations. The profit record for nine months of this year shows that 350 of the largest companies earned 12% more after taxes, than they did last year in the same period when that period covered war operations. Tax credits and reserves have contributed to this showing, but the fact remains that no one has suffered much.

"This doesn't mean that labor demands have not been excessive in many instances. The hoggishness here, as in some industrial quarters, means that a segment of labor has benefited to the disadvantage of its brethren. Thus, it might be imagined that after the several big, and many little strikes carried out from V-J Day to May of this year, almost all labor had forced higher wages. Actually, according to a Bureau of Labor Statistics report, 20% of the workers in manufacturing industries had received no raises and another 20% got less than 10 cents an hour. In retail trade 63% had received no increases, in service trades 67%, and in wholesale trade 48%. Where wage rate increases ran highest, hours and take-home pay dropped most.

"The average wage in manufacturing industry in August, the latest month reported, was $44.61 a week, which was 6% lower than the wartime peak of $47.50 in January, 1945, and 9% above the September, 1945, figure of $40.87. Wholesale prices for products other than foods and farm products meanwhile had advanced 11% from August, 1945 to last September, which looks as though industry had been just a bit more selfish than labor, or, by a margin of 11 to 9, or 2%.

"So, out of the so-called labor domination what has happened is that units costs have jumped, but so have prices and profits. And what the stock market may have seen, among other things, was that both labor and business were pricing their products out of the market. What the nosedive in securities also may have hinted was that there were hogs as well as bulls about—bulls that had become a bit hoggish in prices, profits and in gobbling up supplies."

The New York "Times" in an item by C. M. Rekert on December 1, captioned "Elimination of Price Controls Reflected in Soaring Earnings" tries to uphold Mr. Hughes' concept. It states:

"Indicative of the rapidity with which many companies operated profitably in the September quarter followig six months' of operating losses—occasioned by curtailed production due to strikes—are the figures for the nine months' period. The combined net income of 264 companies in 47 different manufacturing industries under review amounted to $1,013,-791,103 after taxes, against $1,-002,480,057 earned in the first nine months of 1945, a gain of 1%."

Small as this percentage gain may seem it is regarded as significant in view of the shut-downs and shortages in the early part of the year which hampered production and earnings.

Are Profits Always "Real"?

But may not even this moderate showing be deceptive? In spite of long efforts over the years to perfect accounting procedure, and in spite of strict accounting rules developed under income tax laws and other agencies, reported profits are not always "real" profits. It should be acknowledged even by the accounting profession that profits of a continuing and going concern at best, are nothing more than estimates. The profitableness of a single transaction when all assets are in the form of cash and all liabilities are met, may be determined definitely, but a going business, not being liquidated, must depend on artificial summaries and estimates based upon scientific rules that do not always cover adequately the circumstances and may be incompatible with correct business practice. Accounting terms, themselves, in spite of Federal and state court interpretations, have not yet been given definite meanings, and in view of the confusion that still exists in the use of accounting terms by legislatures and law courts, the determination of profits may be out of harmony with actual conditions in any given case.

All this is clearly stated by Enders M. Voorhees, Chairman of the Finance Committee of the United States Steel Corporation, who, in defending the revised form of his company's annual financial statements in which the term "profit" was eliminated, told the Comptrollers' Institute of America on Sept. 21, 1943:

"For the purpose of reporting to the public, our financial affairs consist only of receipts and costs and we have dropped out of all of our income statements the word 'net,' the word 'profit,' and the word 'surplus' and we have dropped also the practice of drawing sub-totals and making intermediate stops to note 'income' or 'profits' before this or that payment. We find that these words and intermediate totals divert the attention from the central truths. The words 'net and 'profit' imply that a business at the end of its fiscal year comes to a dead stop and therefore makes it possible to determine with finality what is a 'net' and what is a 'profit.' We all know that a business never comes to a dead stop except at dissolution and therefore the figures designated as a 'net income' or 'profit' are not accurate terminal figures, but merely estimates."

Shortcomings of Accounting Data

All this is not written to disparage accounting principles or to cause distrust in corporate reports. In fact, the profession of accountancy has made wonderful progress in accomplishing its aims. But accounting data, when it reaches the public, is highly summarized, —covering, as a rule, innumerable transactions completed and still in process, and corporate financial statements require not only to be looked at but looked into. They must not merely be read, but analyzed.

Upon taking up a certain company's statement, the investor or business man desires simple and concise methods by which the operating results may be listed and compared as between different companies or as between different periods for the same concern. There are many factors outside the bare figures to be considered, however. "Averages" or "ratios" used from accounting data may be misleading if these broader factors are lost sight of.

The United States Steel Corporation and the Bethlehem Steel Corporation, as examples, are commonly considered to be competing concerns of the same standards of operating efficiency and financial standing. They undoubtedly conduct their business under strict and sound accounting procedures, yet in organization and scope of operations they differ considerably. The United States

Steel Corporation is a holding company, controlling through stock ownership subsidiaries in every phase of iron and steel manufacture and distribution. The Bethlehem Steel Corporation, also partly a holding company, produces primarily highly fabricated steel products such as ordnance, munitions, ships, ship plates, rails and other railroad materials. It is also, like U. S. Steel Corp., engaged in shipbuilding and ship repairing. The differences in their operations, though apparently slight, as well as in their size and character of organization are sufficient to cause substantial differences in their capitalization, their operating costs and methods of computing their rates of profit.

Upon considering how different steel making is from textile production, and textile from chain stores or motor car manufacture, one can appreciate why in every analysis of financial statements and in computing profits, the special character of the company's business, the relative size of its plants and the scale of its operations are factors of great importance. Accounting methods used in plants of varying sizes as well as in different industries are not always uniformly adaptable to each concern or each industry.

II.

Returning now to present conditions with reference to the reporting of corporate profits. Again Mr. Voorhees of the United States Steel Corp. in a recent address before the Pittsburgh Cost Accountants published in the "Chronicle," Nov. 21, 1946 (page 2665) hits the nail on the head. He has pictured the situation thus:

"The main fact today is that American industry is not in nearly as sound financial position as it is too often prone to think it is. This is complacency that is ominous. It is a common fallacy to suppose that war breeds prosperity. But such a supposition flies in the face of inner conviction and certain knowledge of the awful wastes of war in lives, wealth and resources. How, then, do people derive the notion from the records we compile that everything is happy, healthy and prosperous? I think the answer is that war breeds a fantasy of figures and the fantasy is too often mistaken for fact. War wrenches the economy as nothing else does; the economic changes wrought are of seismic proportions. On cost accountants rests the responsibility for accounting for the cost of economic change over and beyond their habitual practices, so that management and social decisions, often of a portentous sort, may rest on the facts as they are and the truth as it is."

Present Cost-Price Situation Deceptive

And, continuing further, he noted "that many companies are discovering to their dismay that the cash they thought sufficient is now insufficient to cover the increase in requirements for receivables, inventories and building programs. Many companies that thought their cash would be sufficient have been driven to borrow money. Some will even have to go back for more before all the economic costs of war will have been experienced. Persistence in disregarding economic costs as they occur will eventually bankrupt many businesses. We should use our hindsight to improve our foresight," and he concluded that "failure to establish and present today's and tomorrow's costs in understandable fashion weakens and may ultimately destroy the ability of a business to continue its job of profitably producing goods and services for exchange. More than that, such failure can cause industry to lose its case at the bar of public opinion."

Others have given warnings that the present cost-price situation requires accounting reappraisal, and that after proper adjustments are made, the rate of business profits are not as high as they appear. The productive process requires considerable time for its completion, and reported production costs in the end of the process are not always met in prices received. On the other hand, finished goods produced under lower costs are sold in a present inflated market, and the resulting wider gap between costs and profits is temporary and may disappear entirely with a change in the price level. It is a question whether reserves can always be set up to meet this contingency. Certainly, the experience in the early Nineteen-Twenties, when high-cost inventories had to be sold at declining prices, is sufficient proof that in an abnormal market situation, adequate reserves to offset a closing cost and price gap are essential to solvency.

III.

Maintaining the Profit-Margin

Whether the present profit picture will retain its brightness will depend largely on future volume of output in relation to productive capacity. If costs and prices can be kept down by intensified mass production methods to offset higher wage rates, profits on the present scale may continue, and encouragement will be given to additional investment in industry. But if, as seems more likely, in view of rising wage and materials costs and increasing consumer resistance, full time production is not maintained and output of plants is reduced, the present economic system, as so frequently stated, will be shown to be not a "profit system," but rather a "profit and loss system." It should be borne in mind that larger profits currently reported are due more to increased business volume than to higher rates of profit. This is at least indicated in a recent survey, the results of which were published in the "Chronicle" of Dec. 5 (p. 2939). According to this item:

"For 22 large corporations whose names and products are widely known these figures show the number of cents of net profit made on each dollar of sales during the war years 1942/1945 and the peace years 1935/1939.

"In order to give every advantage in the argument to the proponents of the 'exorbitant profits' school of thought, we have purposely used figures only for years of good to satisfactory business volume. However, it would be more accurate and more fair to American business to present average profits for a period which included both prosperous and *depression* years—in other words, the average profits earned under what should properly be called our 'profit *and loss* system.'

"What do you think is a fair profit margin for private enterprise when business is good?

"And what do you think the profit margin has been? Look below for the answer.

	Net Profit Per Dollar of Sales	
	Peace Yrs. 1935/1939	War Yrs. 1942/1945
Montgomery Ward	5.0¢	3.4¢
J. C. Penney	6.2	3.4
Woolworth	10.4	5.1
Procter & Gamble	10.2	6.5
Armour & Co.	1.0	0.9
Safeway Stores	1.2	0.8
Borden	3.0	2.5
General Foods	10.0	5.0
General Motors	13.2	5.3
Goody'r Tire & Rubber	4.2	2.5
U. S. Steel	3.4	3.3
Standard Oil of N. J.	8.4	9.0
Du Pont	17.6	8.0
Celanese	10.8	7.5
General Electric	14.5	4.5
Allis-Chalmers	5.8	2.7
American Tobacco	10.0	7.6
American Can	10.0	6.0
Eastman Kodak	15.0	9.0
National Distillers	12.0	4.0
Loew's (Metro-Goldwyn-Mayer)	10.0	9.5
Underwood	11.6	6.5
Average	8.8¢	5.2¢

"Profit margin figures for each year were taken from Moody's Industrial Manual and were then averaged for each period. All computations were based on independently audited annual financial statements of the companies involved."

Tendency in Decline of Profit-Margin

As a nation develops and becomes more mature there is a natural tendency for the rate of profit to decline. But this tendency is offset by more steadiness and certainty of profit, and with an expansion of total profits that accompanies the growth of capital and the use of mass production methods under large volume output. Thus, it is not surprising that the average turnover profits of department stores is less than 3% or that the United States Steel Corporation contends its profit rates have been progressively declining to the vanishing point. The railroads have been showing this tendency for more than a generation, and only recently, Leroy A. Wilson, Vice-President of the American Telephone and Telegraph Company, after a completion of a study of the System's capital structure and earnings during the last 25 years, reported that, whereas the earnings on stock in 1920-1926 was 9.5%, it has fallen to 7.8%, despite a reduction in relative fixed charges and a better relationship between debt and capital stock.

"There is no certainty today that the system necessarily has to earn as much as it did in the Twenties in order to get the new money it needs for further expansion," Mr. Wilson stated in the conclusion of his analysis. "In conclusion, it can safely be said that a continuation of the postwar business profits will depend on a high level of production and sales. And both production and sales are in turn dependent on equitable and stable price levels."

This was further pointed out recently by Marion E. Coyle, Executive Vice-President of General Motors Corp., when he said:

"There are certain business principles that govern all industry. These business principles and laws are not passed by Congress and they are not subject to adjudication by the Supreme Court.

"The first principle is that every industry must recover its cost in its selling price. Failure to do so, by even the slightest margin, means that you are distributing some part of your capital with each sale. If this policy is followed over a sufficient period of time on enough transactions the concern, no matter how well financed, will go broke. Regardless of whether you gather some measure of profit, the fundamental principle is that you must recover your cost.

"Cost does regulate price, therefore; and price regulates volume. A good illustration of that is in the case of two divisions of the General Motors Corporation. In the eight years prior to the war, Chevrolet averaged the sale of 1,070,000 passenger cars and trucks annually. Some years were higher than that, some years lower, but that was the average for those eight prewar years.

"Cadillac in the best of those eight years sold 66,000 units. That was not due to the fact that Cadillac was an inferior grade of product. It isn't—it is a grand car. But it is due to the fact that there were only 66,000 people in this country and over the world who felt that they could afford to buy and pay for a Cadillac; whereas there were 1,070,000 people annually who could afford and did buy Chevrolet cars and trucks. So price does regulate volume."

IV.

Profits in Relation to Price Level

Another neglected point in the corporate profit controversy is the buying power of profits. During the period of drastic inflation in Europe, profits in money amounts compared with capitalization figures were enormous—but this did not mean excessive profits or adequate profits. Investment values as shown in balance sheets are on a cost basis. These values may remain constant, when general prices are rising abnormally, and under such circumstances, depreciation and replacement reserves generally prove inadequate. It is a serious question at the present time whether these higher fixed assets costs are properly accounted for under prevailing systems of accounting. Moreover, under a regime of rising costs and prices, business concerns require proportionately larger "surpluses" to operate safely. These surpluses are stated in money values, having fluctuating purchasing power, and under an accounting system which keeps asset values at cost, and liabilities for their physical maintenance and replacement at mounting prices, the "safety-valve" function of the surplus account may be no longer effective, and bankrutcy may result.

All these matters require a thoroughgoing consideration by business and accounting executives. What happened to profit figures under a similar set of conditions after 1920 is too well known to permit a repetition in the future of our industrial economy.

Sees Continuance of Good Business

(Continued from page 6)

inventories are expected to show a considerable decline after Jan. 1, 1947.

Buying Policy

"Buying policy for industrial purchasing agents continues to be controlled largely by schedules of suppliers. Situations vary from 'hand-to-mouth' where shipments are made promptly, to long-range buying on items still scarce. Three to six months apears to be a fair average.

"A definite intention to reduce inventories and commitments is reported. Cancellations are more numerous. Future coverage is being made only after very careful consideration. Longer than six months coverage is now the exception rather than the rule.

"More attention is being given to price adjustment provisions, and efforts are being made to eliminate them entirely, or at least limit the amount of increase, and secure mutual protection. Buyers realize that escalators can go down as well as up. The wise vendor also will give that possibility more consideration. The opinion is becoming general that sellers should be in a position to estimate costs of labor and materials, for near-term needs, and assume normal and reasonable business risks. Buyers see no reason for continuing to have all risks passed along to them.

Specific Commodity Changes

"While reports, almost without exception, reflect higher commodity trends, there are, of course, many mixed situations. Price increases reported indicate considerable thought is being given to the advances, and prices are not just generally being raised without justification. The swing from a sellers' market to a buyers' market on some items seems to be approaching—and probably is nearer than many suspect.

"Steel prices have, very generally, been adjusted upward; the situation is not entirely clear as to what the total increase may be, as finished product prices have not been submitted finally by the steel producers. Pig iron and scrap are in extremely short supply; supplies are entirely inadequate for the current rate of production.

"Copper prices appear temporarily stabilized around 19½¢, but opinion is expressed that they may reach 21½¢, and then finally retreat to 17½¢ if the 4¢ tariff should be released. Nickel up. Brass products higher. Lead is now at the highest prices in history.

"Paint ingredients have advanced sensationally, the outstanding example being glycerine.

"A slight decrease in lumber is indicated, and slightly more supply is available.

"Burlap reported up 25%-50%.

"Small reductions reported on mercury and platinum.

"Menthol temporarily easier, due to imports of Japanese stock piles. Expect sharp price rally when this is used up.

"Soda ash very tight, due to lower production and higher demands from producers of textiles, metals, glassware, cleaners, sterilizers, and other commodities.

"Boric acid up about 8%. Synthetic detergent up about 12%, effective Jan. 1, 1947.

"Dyestuffs up 10% on Jan. 1, 1947.

"Paper products substantially increased. Book paper contracts for January at a higher price.

"Shipping containers up 8%.

"An advance of 15% on stoker coal by a large producer, without explanation, is reported. It appears to be an effort to fix a higher market, and users should investigate that possibility of increased industrial costs. The use of fuel oil and gas are expected to show large increases, because of the recent coal strike.

"Office supplies, stationery and equipment are up very materially. Reports indicate prices are about double the 1940 level.

"Refined sugar is reported up from 7.60¢ to 8.00¢ basis.

Employment

"The employment figures for the past 30 days have taken a decided jump. This may be due, at least partly, to holiday season activities, and may mean an increase in seasonal merchandising.

"Most industries appear to be back on full time after the coal strike.

"Employment of male help continues at a higher rate than that of female help.

"Manpower is still a problem. There are plenty of jobs for those who want to work. The general situation appears better in the East than in the Middle West. Unskilled labor still is short, but the situation seems to be easing; skilled labor is very short in all sections.

"Many returned GI's are coming off the 52-20 club and taking employment in industry."

Occupation Army Costs

The military occupation of former enemy areas will cost the United States $1,503,784,000 for the 12 months ending June 30, 1947, the War Department estimated on Dec. 13, it was indicated in Associated Press advices from Washington to the New York "Times," which stated that by countries, the estimates included:

Germany — Army pay, $260,500,000; maintenance of troops, $208,500,000; government and relief, $148,275,000; total, $617,275,000.

Austria—Pay $23,000,000; maintenance, $18,500,000; government-relief, $3,409,000; total, $44,909,000.

Japan—Pay, $238,000,000; maintenance, $190,500,000; government-relief, $184,809,000; total, $613,309,000.

Korea—Pay, $92,800,000; maintenance, $74,300,000; government-relief, $61,191,000; total, $228,291,000.

Securities Salesman's Corner

By JOHN DUTTON

If there is one thing that leads to success when it comes to retailing securities it is to sell securities that PERFORM WELL MARKET-WISE. It is not only important for a salesman to distribute increasing amounts of securities among his customers, thereby building up an enlarging backlog of future business through tradeouts and advantageous switches, but in order to accomplish this latter result it is vital that he sell the RIGHT SECURITIES IN THE FIRST PLACE. This is such an obvious ingredient of successful retailing it is a wonder that sometimes it is taken so lightly.

Time and again salesmen close their eyes, sell something to a customer with a hope and a prayer, and trust to luck that all will end well. Many a dealer has grown careless as his sales volume has increased during bull markets, and has finally paid for this laxity through the loss of clients that could have been retained if more care had gone into checking up on the facts before a security was recommended. Some say securities are made to be sold—that is the bunk. Some securities shouldn't be sold to your worst enemy let alone your good customers.

Think this over for a minute. You spend money, and expend your energy to secure a new account. You call not once but in most cases several times at his place of business or his home. You write letters, you check up and secure information, you ingratiate yourself, you do your best to impress this new customer that you can make it worthwhile for him to do business with you and your firm. Finally you have a transaction with him and then several more. As you get to know each other better you do business over the phone. It gets easier now . . . but that's the time you are headed for trouble if you don't watch out. That's when you may say to yourself, "I think this stuff is all right; what's the difference, Jim's got plenty of profits on that last stock I sold him. I think I'll call him up and tell him to buy a couple of hundred shares of this dog, it can't hurt him much anyway." It not only **can hurt him** but it is very likely TO HURT YOU PLENTY.

Of course, this sort of thing is not the rule but the exception. Most firms that are successfully retailing securities today are well aware of the importance of careful research and they do supervise their salesmen's activities along sound lines. But we are going into a new year and one that will probably challenge the best analytical abilities that we have at our command. WE ARE NOW IN A MARKET OF STOCKS MORE THAN A STOCK MARKET. For example, despite the so-called major bear market that we have witnessed since mid-summer there are still STOCKS THAT HAVE MADE NEW HIGHS. No one can pick all the winners, or even those that resist a bear trend, but careful investigation of a security before you recommend it can save you the loss of many customers in the future.

Before selling anything to a customer why not ask yourself, how much do I really know about the company behind it? Before taking anything on faith from here on why not make sure of the supposed facts? There are plenty of companies whose securities are traded over-the-counter that have management that is aware of its responsibility to the public and its stockholders. These are the companies in which you should be interested. The officers of these companies will be pleased to furnish you with pertinent information if they are approached in the proper manner. Those companies which do not enjoy such management (and fortunately they are in the minority) you should avoid, regardless of how attractive their outstanding securities may appear on the surface. If the officers of a company refuse to furnish you with the answers to pertinent questions upon which a complete appraisal of the future prospects of their business may be based, LET THEM PEDDLE THEIR OWN STOCK. It is important to sell securities . . . that is where we get our eaten' money . . . but it is even more important that we sell the kind of investments that enable our customers to keep on eating too.

Let's do more business in 1947. There is no need for pessimism. This country has ahead of it one of the greatest periods of expansion and post-war reconstruction ever known. Extremism in government is passing, money is abundant, the nation's heart is sound, we have problems but when for that matter was this not true? Pick out some good securities that are priced right, with a company behind them that is going places, **Get your story . . . all of it . . . and do business!**

Germany's Economic Crisis

(Continued from first page)

British authorities see no chance of improvement. Moreover, the recent weeks there have not been more than 6,000 a day. On Nov. majority of 20-ton freight cars can no longer take the full load: 16, 14, 12 tons are loads which it is considered dangerous to exceed.

Old Electric Equipment

The electricity supply works are fitted with such old equipment that when it breaks down it cannot be repaired. The same applies to many mines: if the air compressor breaks down and cannot be repaired the mine is paralyzed.

If the situation does not improve very soon the Ruhr, which, before the war produced 125,000,000 tons of coal and 23,000,000 tons of steel, will become an economic slum. Once the backbone of European economic life, it will become a source of economic, social and political infection for the whole of Western Europe.

Modification of Potsdam Agreement the Hope

The situation can be saved only by speedy action, only possible through a modification of the Potsdam Agreement, or at least by the fusion of the British and United States zones, whereby the U. S. would play a big part in setting Germany's stagnating economy in motion again.

Effectual Aid Is Needed

The question is: What form is this aid to take?

Until now the occupying powers—at least the United States and Great Britain—have had to expend large sums on the German occupation without result: economy is degenerating fast, the German people, noticing this, is not giving the necessary cooperation, is trying to save itself by a frantic hunt for food and fuel, which leads to a further decrease in a rational division of labor: *Poverty Promotes Waste.*

This cooperation of the German people would be only very limited in any case owing to a lack of raw materials and the fact that intercourse with abroad is practically impossible. Efforts are being made to remove these obstacles, but consultations on the matter are proceeding so slowly that *senatu deliberante saguntum periit.*

Aid to Germany can only be effectual and can only have a healthy basis if (1) An adequate food supply for the industrial areas of Western Germany is guaranteed; (2) If credits for raw materials are granted to set in motion German industry which now lies idle, exports are allowed for the redemption of the credits and, finally, the import of food and raw materials is allowed on credit to enable this country to become self-supporting.

The difficulty here is that none of the occupying powers possesses an organization capable of judging which German industry could best be set in motion again in this way. The Allied administration is a military government, to be considered as an emergency government that in time of war or in a state of seige functions well, but is not suited to set in motion, on a healthy basis, such a complicated apparatus as German industry under the present circumstances. Allied experts are needed who are familiar with overseas markets and moreover know German industry.

Close Dutch-German Economic Relations

For this purpose it would be best to call upon the surrounding countries, particularly the Netherlands, which, owing to its geographical position, is the gate to the industrial areas of West and South Germany, and which has maintained extremely close relations with German industry for many years. The extent of these relations is apparent when one considers that Dutch investments to the value of not less than 3,640 million guilders (prewar value, i.e., about two milliard dollars) are registered at the Netherlands Recuperation Office. Practically every German undertaking of any importance had representatives in Holland, through whose hands a large percentage of German exports passed. Dutch industry had numbers of subsidiary firms in Germany making parts which were processed in Holland and re-exported. Holland's tremendous importance to Germany's industry is shown by the fact that, before the crisis in the 30s, not less than 20% of German exports of raw materials and half-finished products (not transit trade but special trade) went to the Netherlands.

After the last war, when German industry and trade also had no access to world trade and Germany possessed no merchant fleet and the situation was thus more or less parallel to the present one, Germany's overseas trade passed through the Netherlands in ever-increasing degree. Financing was also done for the greater part via Holland and all large German banks and even moderately large ones, established branches at Amsterdam to replace their London branches which had been closed.

Tredifina Credit Agreement 1920

On May 11, 1920, the Dutch Government, to restore trade relations with Germany, granted a credit of 200 million guilders (80 million dollars) divided into a food credit of 60 millions (24 million dollars) and a revolving "Veredlungs" (raw material and processing) credit of 140 million guilders (56 million dollars), the so-called "Tredifina Agreement." There was no restrictive clause about the origin of the raw materials. A trustee company established at Berlin under Dutch supervision controlled the credit, managed the securities and further supervised compliance with the terms of the Agreement. It was a typical "Veredlungs" credit (raw material and processing credit) that worked well until 1937. The turnover in the years preceding the crisis of the 1930s reached an extent of about 100 million guilders (40 million dollars) a month so that this credit revolved about eight times annually.

It is impossible for Holland to grant such credits at present as she herself needs foreign credits. The only country capable of doing this on a scale proportional to Germany's requirements is the United States. The Dutch credit mentioned above, and its organization can, however, serve as an example for the granting of a similar credit, which could result in important stocks of numerous basic raw materials (cotton, wool, rubber, copper) now awaiting processing in Germany being used for recovery of the whole world economy. The economic life of this area would be set going again and this country, instead of being a millstone of ever increasing weight round the necks of the occupying authorities, could be made capable of paying reparations.

Realizing the great difficulties in the way of the resumption of trade relations with the German hinterland, Holland, following the example set in the last war by an organization with a capital of 250,000 guilders, has established the Netherlands Trust Company for Foreign Trade (Nederlandsche Trust Maatschappy voor Handel met het Brutenland).

All large credit institutions and organizations take part in this. It is not a monopoly company for trade with Germany but merely a trust company, which through its status and with official support, can cope with the difficulties of intercourse with German industry and can easily fulfill the necessary formalities.

This trust company could perform extremely valuable services in supplying raw materials and processing credits to Germany, chiefly because of the great knowledge of German industrial life which Holland has gained in the course of scores of years.

Technical Credit Arrangement

Matters could therefore be arranged as follows: A Tredifina raw material and processing credit on the lines of the Dutch credit to Germany in 1920 could be issued by the United States either via the U. S. Treasury or by private banks. The credit would have to be for a large sum, somewhere in the neighborhood of 400 million guilders. These credits could be issued via the Netherlands Trust Company, which, if necessary, could accept initial risk. The Trust Company could pass on the credit to German industry; the Trust Company would manage the guarantees and supervise compliance with the terms of the agreement and canalize the manufactured products or half-finished products into the overseas markets, after which the credit could be redeemed.

The technical machinery could be as follows:

The credit could be made, as far as shipment is concerned, against guarantee of the shipping documents to the West European harbor. After that the security would be represented by the raw materials and end and half products available in German industry in the name of the trust. In the case of export the shipping documents can again serve as security. The whole can be contained in a note from the German firm endorsed by the Trust Company and, if necessary, guaranteed by the foreign manufacturer or dealer. These notes could therefore be provided with very considerable guarantees. As soon as the goods are dispatched to their definite destination, the usual arrangement could be effected either in cash or through a customary credit transaction.

Beneficial Effect on World Trade

Such a procedure cannot do otherwise than have a very beneficial effect on world trade and its revival. It will result in an increase in international trade and the economic recovery of Germany.

The Potsdam Agreement put a limit to German industrial recovery. Even if this limit is not extended and steel production is maintained at the present fixed capacity of 7½ million tons a year, then even within this limit German capacity ought to be made serviceable to world economy. This capacity was directed mainly towards the manufacture of cheap products for the overseas markets and for the supply of other special industries abroad with parts and half-finished products. World economy, which saw the crisis of the 30s aggravated by the decline in German exports, can derive nothing but advantage from this. We are now faced with the choice either of allowing Western Germany to become an economic slum—resulting in a continual loss to the world market of 6 milliard dollars and the supply to numerous overseas territories of cheap products of medium quality, or the promotion of the economic recovery of Germany and therefore of world economy. For everyone who is concerned about the latter, the choice is not difficult.

* * *

Summary of the Tredifina Agreement

The credit of 200 million guilders granted by Holland to Germany was provided for by an agreement concluded by the two countries at The Hague on May 11,

1920. This agreement was approved by law in Holland on July 31, 1920 (Statute Book No. 681).

The credit consists of two parts: a credit of 60 million guilders for the purchase of food in Holland (Account A) and a credit of 140,000,000 guilders for the purchase of raw materials (Account B).

The credit was at first issued at a rate of 3% for a period of ten years, but the original term of ten years was increased by a further seven years by a supplementary procotol dated Nov. 26, 1925, and applied to the credit administered under Account B, while the rate of interest for the 140,000,000 guilders was reduced as from Jan. 1, 1927, to 5½%. Half of this 140,000,000 guilders had to be redeemed by Germany by Dec. 31, 1936, at the latest. The settlement of the remaining amount was later extended until 1943.

A special organization was created for the administration of the credit. This can be split into an organization in Germany, the "Treuhand Gesellschaft," and an organization in Holland.

The task of the "Treuhand Gesellschaft" in Germany was:

a. To manage the credit in Germany according to the principles agreed upon, and

b. To determine the securities and guarantees to be demanded from the German industrialists asking for credit, and, as trustee, to keep these for the Netherlands Government.

The Netherlands organization can be divided into:

a. A branch of the German Trust Company charged with accountancy and control, the registration of guarantees obtained by the German Trust Company and correspondence with the Netherlands authorities.

b. A Netherlands Government Commissioner who keeps contact with the German Commissioner (Reichskommissar) and who has the power personally to supervise at the German branch in the Netherlands the control of the credit and the registration of the guarantees or to have them supervised by the officials under him or by members of the German-Netherlands Commission mentioned under (c).

The Netherlands Government Commissioner has further the right to convince himself, in consultation with the German Government Commissioner, of the presence of the management of the guarantees.

c. A German-Dutch Commission in the Netherlands, consisting of two Commissioners and a number of permanent German and Dutch delegates.

In certain cases this Commission is convened for the consideration of any problems that may arise. Applications for credits are submitted to the Trust Company in Germany which decrees, and if credit is granted, determines the guarantees to be given.

The representatives of the Trust Company in Holland informs the Dutch Commissioner so that the credit may be made available.

In the issue of the credit, use is made of the intermediary of Dutch banks. The monies are made available by the Netherlands State from the Treasury.

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with the higher costs of production and the excess buying power which bid up prices.

By VJ-Day the cost of living index was a modest 6% above 1929, while factory hourly wage rates were 81% *above* the 1929 figure. Thus, whether we examine the *war period* as a whole, or the *longer 16-year period* we find that the real wages of American workmen have risen substantially.

For the record, we include the data from official sources for the period 1929 to 1946, showing the movement of wages and prices (*see table below*). It is clear that by the autumn of this year the wage worker was still substantially ahead in real wages of his position before the war or before the depression of the 1930's.

Some Wages and Salaries Lag

The increases in prices which have occurred since war's beginning and especially since war's end have steadily worsened the position of many unorganized workers, of white collar workers, teachers, clergymen, pensioners and others living on fixed incomes. A second round of wage increases now will further destroy the buying power of the incomes of these people and will make our system of social security inadequate.

Teachers and other similiar groups which are opposed to the use of force and the strike, are today considering the strike and other uses of force. Labor leaders themselves who are heavily responsible for the wage-price distortions will be knocking at legislative doors all over the land "demanding" that old age pensioners and other fixed income groups have their incomes jacked up, but will they offer to help increase taxes on themselves to help meet these higher costs? Our taxes will have to go higher to support public employees.

WAGES AND COST OF LIVING 1929 to 1946

Item—	1929	1933	1939	September 1945	September 1946
*Cost of living	122.5	92.4	99.4	128.9	145.9
Average Hourly Earnings:					
†1. Manufacturing	$0.590	$0.491	$0.720	$1.085	$1.231
‡2. Manufacturing	0.566	0.455	0.644	0.987	1.126
Iron and Steel and their products	§0.654	0.503	0.759	1.089	1.242
Electrical machinery	§0.627	0.571	0.740	1.014	1.189
Other machinery	¶	¶	0.746	1.119	1.261
Automobiles	0.695	0.593	0.929	1.224	1.374
Transportation equipment, except Automobiles	¶	¶	0.785	1.264	1.355
Textiles mill products	¶	¶	0.484	0.763	0.939
Food and kindred products	¶	¶	0.618	0.880	1.013
Tobacco	¶	¶	0.476	0.786	0.899
Building construction	¶	¶	0.932	1.392	1.510
Bituminous coal mining	0.681	0.501	0.886	1.261	1.480
Retail trade	¶	¶	0.536	0.783	0.906

*Consumers' price index, Bureau of Labor Statistics, U. S. Department of Labor, 1935-39=100. †National Industrial Conference Board, covering 25 major industries. ‡Bureau of Labor Statistics, U. S. Department of Labor, except the noted 1929 figures. §National Industrial Conference Board. ¶Not Available.

A second round of wage increases will force closely corresponding price increases in the months ahead, unless such increases finally force both labor and goods out of the market. Such a collapse of production and employment is a strong possibility because of the disparity between the incomes of workers whose wages have been artificially forced upward while the incomes of others are lagging behind.

Wages Press Prices Upward

Last winter the Chamber of Commerce of the United States warned in a report, *Price Control or Decontrol* that the first round of wage increases would be accompanied by closely corresponding price increase. That warning proved all too true. Again, we must repeat this warning with respect to a second round of wage increases.

Indeed the country has not yet digested the complete effects of the first round because it takes varying periods, from a few days to many months, for the full effect of wage increases in steel, coal, transportation, etc., to make itself felt throughout all sectors of the economy.

If businessmen combined to raise prices, they would be censured by public opinion and would be in violation of the anti-trust law. Yet, when another group, labor leaders, engage in practices with the same result, the practices are condoned by law.

The public has become impatient with strikes and production interferences, but it has not yet become sufficiently impatient with the union politics and inter-union hostility of the organizational institutions which make these stoppages so disastrous and which lead to economic conditions which can only end in the collapse of markets and employment.

Some new economic understanding is needed if real economic disaster is to be averted.

When the collapse comes, businessmen will be blamed by labor leaders for the unemployment, although common sense would suggest that job-offers can be made only if the worker is willing to work for a wage which will lead to prices which consumers can pay.

The Profit Dollar, Too, Lost Buying Power

The CIO attempts to show that the wage dollar has lost purchasing power due to the rise in prices, but refuses to recognize that the profit dollar has lost an equal proportion of its purchasing power.

This is a case of special pleading which will not escape the critical judgment of enlightened American public opinion.

The report of the CIO, prepared by a former public servant, speaks of the threat of "the concentration of income and wealth" and never mentions the concentrations of labor union power, which several times closed down the coal mines since the beginning of the war, stopped the railways, and repeatedly paralyzed the great metropolis of New York.

CIO—Double Standard

By taking as profits-base the prewar period 1936-39, a great increase is reported.

Before the war, we were still in depression. Profits were low because they are what is left after all costs are met. Profit expectations were too low to put to work our whole labor force.

Since that time the investment base of American business has greatly increased.

Furthermore, on a basis of replacing this prewar capital equipment, costs are now some 50% higher. If new capital is to be made available for investment and if new machinery is to replace the old, there must be a return sufficient to make the investment attractive.

To make a case for the inadequacy of current wages, the year 1945 is used as a base, when long hours were worked and much overtime was paid, from which to measure, but to measure the adequacy of current profits, a depressed prewar standard is used!

Profits Normal for Prosperous Year

The report argues that profits are dangerously high. Net profits of all corporations in 1945 were 5.6% of the national income, a figure somewhat below a normal good year. Much of these profits are kept in the business to finance inventories, production and expansion in job-making facilities.

In 1945, dividends to stockholders amounted to only $4.5 billion or under 3% of the national income; for 1946 the figures may be somewhat higher but part of the increase will be due to the appreciation of the value of inventories.

This is a profit growing out of an accounting procedure and not a permanent source of profits. Over the years inventory losses just about equal inventory profits.

Data for the period 1929 to 1945 are reported in the accompanying table.

Dividends and Corporate Savings as Per Cent of National Income 1929-1945*

Year	*Dividends*	*Corporate Savings*	*Sum*
1929	7.1%	1.6%	8.7%
1930	8.1	—5.7	2.4
1931	7.9	—10.8	—2.9
1932	6.8	—16.0	—9.2
1933	5.2	—6.6	—1.4
1934	5.5	—4.4	1.1
1935	5.2	—2.4	2.8
1936	7.2	—1.4	5.8
1937	6.6	—1.1	5.5
1938	5.0	—2.3	2.7
1939	5.4	0.6	6.0
1940	5.2	2.3	7.5
1941	4.6	4.1	8.7
1942	3.5	3.6	7.1
1943	2.9	3.7	6.6
1944	2.8	3.4	6.2
1945	2.8	2.8	5.6

*Computed from U. S. Department of Commerce, Estimates of National Income.

The total wage and salary bill for the country in 1945 was about $110 billion. A 25% increase in wages demanded by the CIO would thus amount to about five or six times the total dividends of all corporations and substantially more than the combined net profits of all corporations. Clearly businessmen are not going to sit idly by, producing at a loss if a second round of wage increases is forced upon the country by the coercion of strikes and threats of strikes. They could not do this even if they wanted to.

Why a Second Round of Wage Increases Will Raise Prices

In every line of business there are always marginal producers, those just breaking even or operating at a loss. A wage increase demanded by i n d u s t r y - w i d e unions will inevitably affect these high-cost producers just about the same as low-cost producers. The 18.5c an hour raise of last winter in numerous industries was forced upon all producers in those industries and raised prices. If the high-cost producers are going to stay in business, they must raise their prices when their costs rise. The more efficient producers, who might be able to absorb some wage increses, may drive to the wall these higher-cost producers and thus this constant upward wage pressure when spread across all units of an industry would help bring about the very concentration of wealth into fewer companies which we all oppose.

Furthermore, under competition, every producer is marginal in part of his output; that is, he tends to push production until the last dollar spent on production just yields a dollar or a little more than a dollar of revenue. Now every time wages or any other costs rise, this marginal production becomes unprofitable and so some goods disappear from the market, unless prices can be raised commensurate with the increased costs. This is the reason why we cannot assume that a lump sum of profits exists which can be tapped for wage increases. Thus it is pure folly to assume that wages can be increased without price effects, unless accompanied by rising efficiency.

Furthermore, many whole industries and many companies of other industries in 1946 have subnormal or almost no profits. Yet these would become the victims of the power drive of the labor leaders for higher wages.

Figures Misleading

The CIO report, in a table on page 59, lists quarterly profits before taxes for 1945 which add to a total of $88 billion and after taxes (page 61) $36 billion. Therefore, the U. S. Treasury must have collected from the corporations about $52 billion, a figure which was substantially in excess of all the revenue which the Treasury collected from all the people and all the businesses under all the different types of taxes!

In another report, the CIO has used the facts equally carelessly. In "Economic Outlook," September, 1946, the CIO states:

> Although the proportion of labor costs to total costs vary from industry to industry, wages and salaries average about 25% of all costs in manufacturing, according to the U. S. Federal Trade Commission reports. This means that even if higher wages did necessarily raise prices, every 10% wage raise would increase the total production cost only one-fourth as much, or by 2.5%.

But this would be true only if the 10% increase took place in but *one plant*. If a similar 10% wage increase took place at about the same time in the other plants and establishments which supply raw materials, semi-finished components, containers, fuel, power, transportation services, etc., *to this one plant*, clearly the total costs *within* and *to* this one plant, would arise by approximately the full 10% wage increase, and not merely by 2.5% as the CIO claims.

In still another report, the CIO states:

> According to the War Production Board, four workers can now produce the same amount of goods that required the labor of five before the war.

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

A year ago the same forces behind this document prepared the same type of report—that time *within* the government. Then the document "leaked out." This time it was released with fanfare and display. The basic tenets and assumptions of the previous report have proven fallacious — what makes them any more valid now?

Function of Profits

Profits are not an end in themselves. Profits guide and direct production. Above-normal profits in any field under our competitive system are an open invitation for new investment and additional labor.

In a free society it is not the function of government nor a private organization, such as the CIO, to "control" profits. It is the function of government to keep open the channels of opportunity so that when high profits emerge in any field, additional capital and manpower will be lured into these most profitable fields so that short supplies will be corrected and in order that, in time, profits again will become normal.

Any private group which assumes the wisdom and the power to determine the proper level of profits is trying to arrogate to itself the proper function of the competitive motive. No group possesses standards for determining proper profits and, therefore, an arbitrary program must lead to authoritarian decision.

Wage Motive vs. Profit Motive

The wage motive will cause a man to take a job, if the profit motive first creates the job. Free consumer choice, mobility of capital and labor, and the competi-

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tive motive are safer guides to production and prices than any private dictation.

Readjustments Needed

Nearly everyone today recognizes that our wage structure is out of balance—some wages should should be adjusted downward and others should be adjusted upward. Only the free and open market should make these adjustments. The groups now most aggressive in demanding a second round of wage increases are for the most part those which in the last decade have already pushed their rate ahead of the general rate.

Many prices are too high. Many businessmen openly say this is true of their own output. They would like to see prices lower, so as to broaden markets. But since wages are the chief component of costs, it is impossible to work toward substantially lower prices if a second round wage increase is wrested from industry.

The past year has demonstrated that more production, more efficiency and still more production are the only answer to a lower cost of living and higher living standards for all the people.

The following tabulation shows that in the period 1929 to 1945, wages and salaries constituted nearly 70% of the national income. Net profits to all corporations were under 5% of the national income. It is this small portion of the national income which is the object of the CIO-Nathan attack.

Average Annual National Income, 1929-45

	Billions	Per Cent
Salaries and Wages*	$62.3	69.6%
Corporate Profits **	4.4	4.9%
Proprietors, including agriculture	14.1	15.7%
Interest	6.0	6.7%
Net rents & royalties	2.8	3.1%
Total	$89.6	100.0%

*Includes supplements such as social security payments, work relief, etc.

**Dividends plus corporate savings.

Only by more production per man-hour can all workers and all persons attain a higher standard of living.

The Industrial Outlook for Brazil

(Continued from page 4)

tentialities are so vast, whose rate of growth is so bewildering, but whose present achievements are so limited that an economic survey runs the risk not only of being based on unreliable data but also of being out of date overnight. A few magnitudes are sufficient to illustrate this:

A larger country than the United States, Brazil today supports a population of 44,000,000 on less than 5% of its land. It is estimated that if the jungle were cleared away, Brazil could produce virtually every crop known to man and support several hundred million inhabitants.

The number of industrial enterprises has grown from 3,000 to 70,000 from 1907 to 1940, and the number of industrial workers from 136,000 to 1,412,000. Yet only 14% of her working population is engaged in industry.

National income increased 25% from 1943 to 1944, still as many as 30,000,000 people are virtually economic zeros with a per capita income far below the $100 average for the country, and hundreds of thousands see little more than $20 cash a year.

National Income

Overall national income figures mean little for a country like Brazil. The most reliable estimate was for 1943, which placed the net total at Cr.$51.7 billion, or $2.7 billions. Estimates for 1944 are 25% higher. If we (conservatively) allow another 25% increase for 1945, national income in Brazil today would be about $4.3 billion at the official exchange rate and considerably more than that at a purchasing-power parity rate.

It is necessary, however, to stratify Brazil, both horizontally and vertically, when discussing her national income.

The horizontal stratification is a geographical one, based on the fact that Brazil consists of three dissimilar regions. The first, covering two-thirds of all Brazil, is undeveloped back-country with a population of one to three persons per square mile. The total value of its production in 1938 was under $40 million, an average of less than 3 cents per acre or $14 per inhabitant.

The northern coastal region is also in a more or less early stage of development. In 1938 it produced $196 million—52 cents an acre and $14 per inhabitant.

The southern region, reaching down from the States of Minas Gerais and Espirito Santo, has only one-sixth of Brazil's land area but over half its population. It produced, before the war, 85% of the nation's agricultural output and 88% of its manufactures; $3.32 per acre and $51 per inhabitant. The average wage was double the region to the north. The State of Sao Paulo, which has been called the fastest growing industrial region in the world, alone produced 43% of the nation's industrial output in 1938. Hence, by economic Brazil we actually refer mainly to the geographical fraction to the southeast.

Vertically, Brazil is similarly divided into separate categories, by income. In 1942, 8,860,000 agricultural and rural industrial workers produced only 10 billion cruzieros or $60 each to be shared with their families. This 68% of the working population barely enters the cash market at all except in so far as it buys cheap cotton textiles and other essential goods. It cannot, of course, absorb any imported goods of a semi-luxury nature at all.

The next higher stratum are the salaried employees and industrial workers. 4,190,000 persons in this category produced Cr.$20.2 billion, or $256 per person. In 1944 over 70% of industrial workers had incomes ranging from 200 to 600 cruzieros per month; about $130 to $400 a year. Although the cost of living is high, particularly in industrial areas, still these people form at least a fringe market for imports of a nonessential nature. Yet they cannot, it is estimated, constitute a truly mass consumption market at that level of cash income.

The topmost vertical slice is small numerically, but wealthy. Total income from industrial profits and rents for 1942 was greater by a billion cruzieros than total agricultural income. While it is difficult to estimate the size of this top-income group, a few figures will demonstrate that it is not large. In Rio de Janeiro, in 1942, only 38,000 people reported an income greater than 12,000 cruzieros—$700 a year. Similarly, only 6.3% of industrial workers earned over $400 a year. Since the aggregate of profits and rents was quite large—28% of total income—it is evident that the per capita income of the top income level must be sizable and must constitute by far the principal market for imported consumption goods.

This is sufficient to show the present limitations of the mass-market which Brazil some day bids fair to offer. Today Brazil has 220,000 automobiles (one per 200 population), 330,000 telephones and probably slightly over 1,200,000 radio receiving sets—(one per 36 population), mostly in the Rio de Janeiro area. The U. S. Department of Commerce states that probably not more than 15% of the population is able to buy anything more than the meager necessities of life and probably not more than 5%, roughly 2½ million people (or perhaps 500,000 families) could be regarded as potential purchasers of such products as automobiles, washing machines, electric refrigerators, radios and similar goods in common use in the United States.

Brazilian Industry

Brazil is still a country in the throes of early industrialization. For 20 years her industry has a steady record of growth promoted by a progressive depreciation of her currency, the unprecedented increase in the world taste for coffee, and the spur of two wars which provided markets for exports and a temporary diminuation of competition imports.

Industry is still far from diversified or self-sufficient, although efforts in that direction are being made. Brazil is preeminently an agricultural country; coffee is still the single largest factor in her economy. Accordingly, her industries are primarily engaged in simple conversion of agricultural raw materials. The foremost manufacturing industries in 1938 were food manufacturing and textiles. In that year these two accounted for 58% of the value of manufacture. The aggregate value of the products of the next four industries—apparel, chemicals and pharmaceuticals, wood products and metal manufacture—took another 25% of total manufacturing value. No other single industry did over 4% of total output value.

By 1943 the picture had changed slightly. The table below shows that new industries had entered the picture and that manufacturing as a whole had increased tremendously.

Growth of Selected Industries

	Millions of Dollars 1938	1943	Percent Increase	Percent of Total 1943
Total	1,000.7	1,565.0	56	
Selected Industries:				
Foodstuffs	344.9	500.0	45	31.9
Textiles	231.4	310.0	34	19.8
Clothing	89.3	110.0	23	7.0
Chemicals, drugs	76.0	105.0	38	6.7
Metallurgical	57.4	85.0	48	5.4
Wood Manufacturings	44.9	60.0	34	3.8
Construction	31.5	95.0	202	6.2
Paper and graphic arts	25.9	70.0	170	4.5
Processing of raw materials	35.1	65.0	85	4.2
Rubber goods	2.0	25.0	1,120	1.6
Sundries	2.4	60.0	2,400	3.8
Machinery	16.7	25.0	50	1.6

Thus it can be seen that foodstuffs and textiles now account, percentagewise, for less of the grand total, and that construction, paper and graphic arts, and processing of raw materials have moved up into "big industry" size. Furthermore, the rate of growth of rubber and sundry manufactures has been little short of phenomenal.

As might be expected, capitalizations are still small—in 1940 only 20 concerns were capitalized over $1 million; of 75,000 firms in 1944, 73% employed six or fewer workmen, and only 10% more than 12 workers. Today, with the new $125,000,000 Volta Redonda steel plant setting a precedent, industry may strive for larger size, but the small proprietorship is still the heavily predominant type of enterprise.

Of Brazil's industries, a few merit individual attention.

Textiles

The textile industry represented a third of all industrial production before the war; its output, estimated at 1,500,000,000 yards in 1943, was 50% above prewar levels. Exports increased from $1½ million in 1938 to $60 million in 1943, and with UNRRA to support it, Brazil expected to export a half billion yards in 1945. To meet these demands the industry was mobilized by a government decree which provided for intensification of production and freezing of textile workers in their jobs.

But the industry suffers from deep-lying problems despite its apparently flourishing state. Its machinery is badly in need of replacement, the bulk of it being over 20 years old and non-automatic. Prospects for quick delivery of replacements are dim. An official of the Textile Executive Commission estimated the need for new machines at 5 billion cruzieros.

The industry suffers from overproduction behind a tariff wall which, although somewhat scaled down now, used to be among the highest in the world. As a result, once present scarcities are alleviated, Brazil will be in a tough competitive situation. An analysis made in 1910 may still be valid: Brazilian cotton costs more than American, power is far more expensive, labor is less efficient, machinery is all imported.

Brazil was forced recently to curtail exports in order to care for depleted domestic market. Argentina, her principal purchaser, has now signed up with European textile makers and Brazilian textile manufacturers fear lest they lose their South African, Chinese and Irish markets in the same way.

On the brighter side of the picture is the increasing efficiency of labor and the probable great increase in efficiency once new machinery is introduced.

Steel

The existence of large deposits of iron ore within her borders has long been a challenge to industry-minded Brazilians. The Itabira deposits may be the world's largest and assay better than U. S. Mesabi ores. To exploit this treasure, the government organized the National Steel Company to build a large plant at Volta Redonda. Towards this the U. S. Export-Import Bank advanced $45,000,000 to be used in the purchase of U. S. equipment for installation in the plant. The mill, which has just begun operations, is to have a capacity of 300,000 tons of steel and 50,000 tons of pig iron and may be expanded to 1,000,000 tons annually. The importance of Volta Redonda to Brazil's general economy can hardly be overstated, as it should make Brazil self-sufficient in certain types of metal products and provide a foundation for developing the manufacture of machinery and tools, in the past one of Brazil's largest import items.

Rubber

The development of rubber as an important industry was a war-inspired project involving the feeding, protection and transportation of 50,000 workers to upper Amazonian reaches. The yield reached 40,000 tons annually. Rubber will possibly remain as a protected strategic industry. The government recently bought out the Ford plantation for $250,000 and plans to spend over $1,000,000 getting the industry into shape. Current production figures are not available, but in the face of stories about hardships and disease, it is probable that the wartime peak will not be reached again until considerable money has been poured into health and community facilities. The eventual outcome of the basic fight against jungle, disease, transportation, etc., is not yet foreseeable.

Textiles, steel and rubber characterize, in a sense, a cross-section of Brazil's industrial structure. On the one hand, the old-established industries—food processing, apparel and shoes, and so forth—suffer from obsolete equipment and possible overexpansion from the point of view of a balanced economy. The new state-encouraged enterprise—steel, transportation, chemicals, plastics, etc.—are a large-scale attempt to reorient Brazil from an agricultural to a manufacturing and industrial raw-material producing state. Finally, rubber, quartz, and certain critical minerals have been encouraged to meet war demands of the United States. It should not be forgotten, however, that Brazil has jumped from the ox-cart to the airplane and that many intermediate processing industries, as well as a well-knit transportation, distribution and communication system system are rudimentary and not capable as yet of supporting a full-blown manufacturing economy.

Problems of Industrial Development

The speed with which Brazil's industry continues to develop will depend largely upon the degree of success achieved in coping with certain obstacles. Although in many respects Brazil resembles the United States 50 or 100 years ago, she lacks certain of the stimuli which encouraged our expansion. Her frontier is vast but uninviting and not conductive to easy migration. Her national policy discourages immigration from abroad. Her climate is more tropical than ours. Her laws are less friendly towards foreign capital than were ours. In addition to these difficulties, others of a more specific nature exist.

The most obvious obstacle to be overcome is the lack of transportation. Although Brazil touches seven of the nine South American republics, land connections with three of them are non-existent and with two others unsatisfactory. In all Brazil there are only 21,750 miles of railway and 37,000 miles of surfaced highway, with another 125,000 miles of common road. Brazil has a vast inland waterway, but as a rule only very shallow draft ships can be used.

The great trouble is lack of integration. Rails or roads run haphazardly a few miles into the interior to service a mine or a factory. Terrain is such that cost per mile is prohibitive on new lines and the population network would be unprofitable. Hence, airlines have assumed great importance in Brazil, covering 56,000 miles, some of which is unserved by any other means. But so long as there is lack of ground transportation inland, there can be no substantial industrial or agricultural development of the hinterland; without such development there is no basis for the extension of transport facilities. Escape from this dilemma would seem to require either a long-range plan of public investment or a sudden rush of settlers similar to our Westward Movements.

It is realized throughout the country that the railways must be repaired and improved at the earliest possible time. One source has estimated that not less than 500 new locomotives are needed and that other rolling stock and equipment worth $25,000,000 must be obtained before services can approach normal levels.

A second great difficulty facing Brazil's effort toward modernization is fuel. Domestic coal is of poor quality and must be shipped long distances by water to the industrial area. Primary coal sources are still foreign. Similarly, despite recently discovered oil at Baia, Brazil is dependent on imports for gasoline, fuel oil, and petroleum lubricants. Even in ordinary times wood furnishes the power for about 30% of Brazil's locomotive mileage. Gasolines provide power for many cars and also for machinery.

The general lack of fuel lends to electric power the peculiar importance it has. Brazil is rated sixth among the countries of the world in water power. Much of it is in as yet inaccessible areas and development has been confined almost exclusively to Rio de Janeiro, Sao Paulo and Minas Gerais. At present Brazil's electric power is rated at less than 10% of an estimated capacity of 24 million horsepower.

Another less dramatic but equally real need is the scarcity of machinery and equipment. Most of this must still be imported and Brazil expects to spend much of her $600 million of gold and foreign exchange in its acquisition. An estimate, prepared by the Coordinator of Inter-American Affairs finds that Brazil will need equipment from the United States over a 10-year period as follows:

Type—	Used	New	Total
	(In Millions of Dollars)		
Power and communication	69.2	474	543.2
Transportation	155.7	385	540.7
Building construction	69.2	120	189.2
Manufacturing	121.2	240	361.2
Agriculture	69.2	150	219.2
Mining and petroleum	13.9	18	31.9
Fishing	3.5	8	11.5
Lumbering, paper, woodworking	5.2	11	16.2
Scientific apparatus	41.6	24	65.6
Consumer goods	17.3	30	47.3
Total	566.0	1,460	2,026.0

Some of this equipment, perhaps 60% of that listed as used, will be acquired from U. S. Government stocks. According to the Brazilian Coordinator of Economic Mobilization, plans for the industrial development of Brazil will require at least $2.5 billion and possibly $4 billion within the next decade.

The enormous demand for capital goods leads to another difficulty facing Brazil: The problem of raising capital. In the past Brazil's largest industrial enterprises have been financed through foreign capital, but there are difficulties in the way of continuing the system. A long history of currency depreciation and exchange control which has rendered it difficult if not impossible to remit profits abroad have considerably dampened foreign enthusiasm.

Furthermore, according to Brazilian law, foreigners may not:

1. Establish corporations without specific government authorization.
2. Exploit mines or water power.
3. Own or direct newspapers or magazines.
4. Establish public-utility enterprises unless a majority of officials are Brazilian and all executive authority is in Brazilian hands.
5. Establish banks or insurance companies unless all shares are held by Brazilians.
6. Engage as individuals in commerce within 150 miles of a national land boundary or establish a company there unless Brazilians by birth are a majority of its members and exercise all executive authority.
7. Operate any transportation or communication enterprise within the same zone.
8. Acquire land within 30 kilometers of a national land boundary or live there without authorization.
9. Constitute more than one-third of the employees, or any class of employees, or receive more than one-third of the payroll of any industrial, commercial, of public utility enterprise, unless the government finds there is a shortage of Brazilian labor.

However, the Decree Law of Feb. 27, 1946, somewhat modifies the restrictions on capital movement. According to this Decree, to be eligible for the benefits of the law, foreign capital must first be recorded in a special register of the Banco do Brazil. While today, for the moment at least, capital is repatriatable in *unlimited* quantity, until very recently this was not so. Some of the more stringent regulations were:

1. Foreign capital invested in Brazilian Government Internal Bonds or other fixed interest-bearing obligations was guaranteed immediate transfer in full, two years after its registration with the Banco do Brazil.
2. Other foreign capital was assured the right of repatriation only at the rate of a *maximum* of 20% per annum.
3. The Superintendency of Money and Credit could increase the minimum period within which foreign capital may be repatriated.
4. Interest, dividends and profits could be repatriated in amounts up to 8% of the capital registered with the Banco do Brazil.
5. Transfers above this limit were presumably considered as transfers of capital in which case they would be transferable at 20% per annum.

Whether Brazil will tighten her current liberal policy towards repatriation of foreign bonds remains to be seen when her current export boom peters out.

The need for foreign capital would be less acute if a better means of raising domestic capital existed. Investment in corporate securities is looked upon with disfavor as opposed to government bonds or land. However, profit rates have been very large and this attitude may undergo change. The mediam ratio of net profits to invested capital for 256 trading and industrial companies in Sao Paulo in 1942 amounted to 34%. One third of the companies showed a ratio of 50% and 25 companies had a larger net profit than invested capital.

It is interesting to note that the Volta Redonda was originally 70% financed by the U. S. Export-Import Bank and remaining $25 million subscribed in Brazil, half by semi-public bodies (such as old-age pension funds, for which they received preferred stock guaranteed by the government) and half by the government itself. Although the project was widely advertised as a patriotic venture and the government tried to resell its stock to the public, it did not meet with much success.

This use of government investing to offset the disinclination of the public to private securities has been facilitated by an excess profits law (bitterly opposed by business in Brazil) which provides that 20% of excess profits must be paid as tax, 30% retained in the business for two years and 50% deposited in the Banco do Brazil, without interest, for two years.

In addition to a capital shortage problem, Brazil also faces a lack of labor. Having no industrial unemployed, Brazil must draw workers from agricultural and non-industrial sources. Internal migration from the relatively unproductive North is helping to swell her industrial working force, but at the expense of an increasing unbalance in the distribution of population. At present Brazil virtually prohibits the immigration of foreigners, particularly industrial workers. This policy, which was probably adopted to meet the serious conditions caused by tight-knit Japanese and German colonies within her borders, may now be relaxed.

The shortage of labor is aggravated by a low level of skill. Several factors appear to account for this: the lack of educational training and apprentice training is particularly felt in the shortage of skilled workers, foremen, engineers, etc., which in turn lead to low productivity, bad management, and high cost. In addition, the general low level of wages reduces the general standard of living and general productivity. Low wage rates also provide an incentive to continued low productivity since labor is so much cheaper than capital that there is no attempt to economize on the use of it, or to replace it with machinery.

A related problem is that of overall management. Brazil needs cost accountants, engineers and technicians. She needs greater plant specialization and a more closely interwoven industrial fabric. In addition, the price policy of Brazilian industry may now be ready for overhauling. A tradition of overly high rates of return is not entirely compatible with Brazil's hoped-for mass production industry. At present, when Federal Government bonds pay 5 to 8% on face value and savings deposits draw 4 to 6%, it is not unnatural that the conventional idea of manufacturing profit should run to 18%. So long as output is confined to exports and a limited array of goods for upper income goods such high-price policies are feasible, but they are certainly a hindrance to the spread of prosperity among the people. Further industrial advance would be facilitated if profits were based on larger volume and turnover, rather than high margins.

Finally, Brazil depends for tax revenue primarily on consumption and import levies. While such taxes do not bear on business as obviously as income taxes, they have the effect of raising prices and lowering mass demand. A shift away from taxes which directly raise the price of goods seems to be indicated.

It is impossible to predict the speed and efficiency with which Brazil will meet these obstacles. Highways are being extended and the transportation field thoroughly explored. Oil is being produced at Baia which may in three years supply 25% of Brazil's needs. A railroad to the Bolivian frontier is being pushed to ease fuel imports from the West. Investment of domestic capital has begun, although on a limited scale. Both Federal and State Governments have begun housing, education and health programs which should be reflected in an increased productivity of labor. Beginnings have been made in technical education, both for the profession and at the shop level. The government is attempting to reduce the relative importance of consumption taxes. With resources of great value, well suited to her new and expanding industries, Brazil may well be treading the path once followed by the United States.

National Economic Policy

The Brazilian Government is closely concerned with Brazilian economic life. Since Brazil's industrial coming of age has been retarded, so to speak, the government is forced into a role of paternalism quite different from the American government's position in U. S. development. Not only has the Brazilian Government encouraged and protected capital, but it has also fostered and nurtured labor organizations. This apparently contradictory policy is in fact not so—to develop her interior market, Brazil needs a higher wage level. As long as profit margins are good and large extensive business expansion is possible, a rising wage level should act as a spur rather than a deterrent to enterprise. Encouragement of industry is accomplished by tariffs, outright guarantees and favoritism rather than by anti-labor legislation. In a word, the pattern of government action follows the 20th Century corporate pattern in which each class is appeased rather than the outright pre-capital policies of those industrial countries which had their growing pains sooner.

Originally, the government's attitude towards capital growth was one of disinterest and even disapproval. This attitude underwent gradual evolution to the present time, when the government probably considers the "capitalization" of Brazil as the major problem at hand. Nevertheless, despite a long history of indifference (or because of it) tariff protection and outright help to favored industries have been common. This traditional reliance on high tariffs was so extreme that even in 1936 inconsequential reductions on products of no domestic importance brought angry protestations from Brazilian manufacturers.

Like tariff protection, direct assistance to industry is a policy of long standing. Most of the leading industries have at one time enjoyed—and many still enjoy—special privileges: subsidies, guarantees of fixed return on capital invested, loans at low rates of interest, etc. A typical example of this sort may be seen in the 1932 decree providing for the development of the cement industry. This granted a ten-year exemption from import duties on machinery required in the construction of plants and a 15-year exemption from certain other taxes. The contracting companies, in turn, agreed to maintain certain standards of output, to buy only native raw materials, to permit government supervision, to employ 80% native Brazilians, etc.

The decree showed results in the establishment of some of the largest Brazilian cement plants.

Government supervision usually takes place through "institutes" or councils which act as joint industry—government bodies to regulate standards, inspect conditions and generally encourage and protect the industry in question. Such bodies also foster the increasingly national and anti-foreign feelings of industry.

Although today Brazil eagerly desires foreign capital and has taken steps (such as those relating to remittance of capital) to encourage its inflow, nevertheless the influence of foreign capital is being steadily diminished by a series of laws and decrees. One aspect of this anti-foreignism is seen in the trend towards nationalization.

So far, government's ownership or control has extended to water-power, mining, petroleum, meat, railroads, banking and insurance. Usually, regulation is by the council or institute, or else conditions of the industry are specifically described by decree.

As a *quid pro quo* for its benevolent protection of industry, the government has also encouraged labor, both by broad measures encouraging health and education and also by laws directly aimed at increasing wages, etc. The major industrial areas are now covered by minimum wage, maximum hours, vacation, old-age benefit and similar laws. Nevertheless, labor lost a steady battle against the cost of living during the war and current agitation is considerable.

The latest available figures place trade-union membership at 400,000. Despite the decree of 1943 which sharply limited collective bargaining and which placed in the hands of the government virtually complete powers of wage determination, the labor movement still shows signs of vitality. It was able, for example, to obtain considerable overtime rates as well as increased basic wages in exchange for job-freezing and deprivation of certain other rights during the war.

To sum up, the Brazilian Government is increasingly closely enmeshed in industry and labor since it is the central and dynamic factor in Brazil's industrialization. Brazil's attempt to become a major industrial power is not the result of historical evolution, so much as an attempt to pull herself up by her own bootstraps. It is to be expected, then, that the government, as a central initiator, coordinator and underwriter of national policy, will continue to play an ever-increasing role in Brazil's economy.

Conclusions

Brazil today is certainly past the first point of transition from a pastoral almost feudal society to a modern industrial one. Yet the disadvantages of the feudal way of life remain to clutter up the scene and interfere with the optimal development of industrial resources. Most, if not all, of the obstacles which have been mentioned have been at least aggravated by the fact that Brazil is only recently a modern industrial nation, and does not as easily think and act in the new idiom as she undoubtedly will twenty or even ten years hence.

That Brazil will prosper in the long run seems a certainty; that she will have her ups and downs in the short run seems equally definite. Her political scene is never quiet, and from the economic point of view, no country whose development hinges on foreign trade can expect an uneventful future. But the underlying force for the eventual emergence of Brazil as a truly great nation lies in the activation of the "economic zeros" who make up such a vast majority of the citizenry. The progress Brazil has thus far made has been accomplished in spite of and not because of her internal market. This she realizes and by national policy as well as by economic action she is trying to integrate the great passive masses more and more into the commercial framework. The speed with which she manages to do this should be the index by which we measure her attainment to her goal of mature, self-sufficient and progressive industrialism.

The 1947 Stock Market

(Continued from page 3)

the hectic pace of recent months. There are undoubtedly other points of agreement, but the three I have mentioned may be the most important.

Favorable Factors

Those who are impressed with the favorable outlook point to the many factors that have been widely discussed, including the large deferred demand for all types of goods, the savings that are available to support a continuation of the present boom, the foreign trade which will be needed to build up devastated regions in many parts of the world, the improved labor outlook, and the current improvement in productivity of labor. Other factors are present, but this should suffice for our point. This reasoning leads to the conclusion that we may have a temporary readjustment in prices and perhaps a slight recession in business volume, but we should enjoy a period of great prosperity for several years to come.

If this is so, then the sharp decline in the stock market obviously is temporary, and represents no more than the exaggerated technical correction of an over-inflated market in many stocks. Stock prices under these conditions should do very much better and before long go to new highs.

I am the last one to maintain that these conditions will not prevail, because I approach the whole subject of judging the future with a spirit of modesty. On the other hand, personally I wish to make certain observations that at least should bring a note of caution into the mind of anyone who takes such a bullish position. There are in my mind several economic developments which suggest that regardless of the long-term future covering a period of several years, we may well be in for at least a period of readjustment in prices and production lasting a number of months.

Readjustment Factors

First of all, we must remember that at the present time capital investments by industry in machinery and equipment are running at an extremely high rate, either in the light of history, or in relation to the output of consumer goods, or on the basis of any other yardstick. This is quite evident from the enormous pile of orders on the books of most corporations engaged in the machinery and allied industries. I know that when capital investments in plant and equipment run at an abnormally high level it is often time to watch out. Furthermore, orders for producers durable equipment have increased at a starling rate since V-J Day, and have reached a level which may be close to a turning point. Normally these orders do not stay up at a high level but turn downwards after such a sharp advance. From the point of view of the stock market, a down-turn in these orders is likely to be discouraging. I recognize the strong position of many of the industries supplying producers durable goods such as, for example, the farm implement and office equipment industries, and yet is it normal to regard all of these industries in a very strong position any time their order books are filled. As far as these companies are concerned the good news is out, so to speak. I also recognize the need for many types of construction and yet we find industrial and commercial construction at extremely high levels, and that leads me to wonder how much improvement can be expected over the next year or so. The only part of the construction industry which is really low is public works and public and semi-public building, which includes such types of construction as schools, hospitals, theatres, churches, and similar items for which there is a great need.

In analying the prospects for producers durable equipment, including construtcion, we must bear in mind the impact of rising costs. It is difficult to believe that the present high costs are not having an adverse effect upon the prospective commitments of industry. In fact, many corporations are already scanning their budgets and reducing commitments for capital outlays.

Another major support in the present boom is the accumulation of inventories.

Inventories are not high in relation to the present sales but the inventory accumulation that has been going on is an important source of employment and payrolls. Also, as everyone knows, inventories are unbalanced and once the missing part or material is obtained in volume there will be a large increase in shipments of goods without a corresponding increase in employment and wages. Much of the inventory accumulation is in consumers durable goods which will come on the market next year. It may well be that these inventories will become a burden during any period of declining prices or volume of business. At least the cessation of inventory accumulation would remove one important economic factor that has supported the boom.

Thirdly, it is doubtful to me that our export trade balance can continue quite as favorable as it is at the present time. UNRRA is already scaling down operations and next year Europe may take substantially less of many products. This will also diminish one of the factors that has been important in maintaining the present boom.

Finally, government spending is still declining and will continue to do so for some time ahead, although the decline will be more moderate from now on. During the war government spending was the dominating influence in our economy and it is still of substantial importance. While the reduction in government spending may not be large it is on the negative side as far as its influence on the volume of business and consumption is concerned.

The Timing

All-in-all, it seems to me that some of the items that go into what we commonly call "capital formation" are close to their peaks and it is just a matter of how long they will continue at the present rate. In the case of inventories, the peak can not be many months off. In the case of producers durable equipment, including construction, there are already signs that we are close to a peak. In the case of foreign trade, it is possible that our present extremely favorable balance may continue, but there is some doubt. In the case of government spending, we know that that is still declining.

Let us take a look at another section of our economy — that dealing with consumers goods and services. Here we find that the consumer is in the midst of a huge spending spree, so far, to a great extent, concentrated in soft goods. The rate of individual savings has been going down and is now below normal; instalment credit is increasing rapidly; mortgage loans on residential building are increasing rapidly; and a considerable section of the population has found it necessary to use accumulated savings as indicated by the greater redemptions than sales of "E" Bonds. We hear a lot about buyer's resistance to high prices, which is the garden variety expression for the idea that prices have risen sufficiently to make it impossible for consumption to be maintained at the earlier volume. In fact, the physical volume of consumption has been declining for a number of months.

Consumers' Buying Power?

This condition prevails at a time when industry is just getting in its stride in turning out huge quantities of consumers durable goods. The question that we have to answer is how the consumer will be able to take all these goods off the market and yet continue to maintain a high level of consumption of soft goods and services. No doubt a further increase in instalment and other personal debts will help, but obviously this is a temporary measure. Looking ahead into 1947 it seems unlikely that income payments to individuals will increase much from the present level, particularly in the light of prospective lower farm prices and lower farm income which may at least offset any improvement in wages and salaries that may occur. This means in effect that unless the consumer goes into debt on a greater scale than he is doing now it will be more and more difficult for him to absorb the prospective output of consumers goods at present prices. This will lead to a continuation of the present stickiness in many consumer markets. Beyond this, however, once we get going full blast in consumers durable goods, competition will surely be keen and prices will begin to drop even in the case of these items that have been hard to get. It would be a comforting thought to believe with confidence that we can make a readjustment from a "soft goods boom" to a "hard goods boom" in the consumer goods field. Perhaps we can, but one surely should pause and think twice before reaching such a conclusion. Lower prices and some decline in production in any important field in our economy can easily lead to a changed psychology on the part of both industry and the consumer. This in turn can easily encourage industry to reduce their programs for new capital investments and to prepare for "hard times," reducing overhead and following a policy which will bring further deflation. Similarly, once prices begin to go down, there can easily develop in the minds of consumers a tendency to postpone purchases, particularly if the outlook for maintenance of high wage rates and employment begins to be less clearly defined.

The consumer goods section of our economy is, therefore, not only running at a boom level just as the section of producers durable equipment, but there are developments in the consumer goods fields which surely lead me to wonder about the continuation of present conditions for any length of time.

Whole Economy Is Vulnerable

The whole economy, therefore, seems to me to be in a position from which it can not improve greatly and from which a readjustment downward can easily take place some time in the next 12 or 18 months. How far this readjustment may go, if it comes, is obviously impossible to tell at the present time, but once it starts it could proceed for a number of months. The size of our boom and the many maladjustments that were created during the war and after the war, are of a character that could result in more than just a minor price decline and more than a few months of a moderately reduced level of production.

It is quite clear that the stock market has discounted such a readjustment to a considerable extent. Whether or not the stock market has discounted all of the readjustments in business and prices that may take place is another question. Today stocks are selling at widely varying prices in relation to long term values. Some stocks, such as General Motors and Westinghouse Electric, are at reasonable prices, while many other stocks are still high. The fact that the declines were so precipitous and, in the case of many stocks, were close to the entire decline of past bear markets, is significant, but does not necessarily lead to the conclusion that we are now starting on another bull market.

Prices in 1947

Looking ahead into 1947 it seems to me that if the stock market has completed its decline we are faced with a long period of dull prices, not far from the lows reached in September and October, before any dynamic movement can set in on the upside. In the light of the really extraordinary earnings that will be shown in the fourth quarter of this year and the first quarter of next year, with the possibility that these extraordinary earnings will continue into the summer, it seems more reasonable to me to expect that the stock market will show at least a further moderate recovery during the early part of the year and then decline again when some of the economic readjustments become more evident. Whether prices will then recede to new lows is open to question, but in my opinion chances are that they will do so.

The Time for Confidence

(Continued from page 2)

power with confidence or enthusiasm?

Effect of Labor-Management Difficulties

Labor-management difficulties have led to public suspicion of the value and worth of the manufacturer's product; they have led to a great deal of unnecessary and bitter ill will; and they have led to employer timidity and employee hostility. All of these add up to lags in production and deferred purchases.

If, in such an atmosphere, business leaders and the makers of public opinion in the field of business and finance continue to broadcast an expectation of depression or recession, there is a great likelihood that they will bring on just the reaction that they view with such horror; they will cause consumers to delay purchasing, and accordingly necessitate a drop in production and attendant unemployment.

It is quite possible for us to talk ourselves and others into such lack of confidence as to cause a temporary setback in what otherwise would have been activity and prosperity. The setback, however, would be the result of a general frame of mind and not of an economic trend.

Confidence, on the part of both producer and buyer, carries a tremendous weight in matters that appear superficially to be purely within the realm of fact and figure economics. Confidence is vital as regards all plans and commitments for the future like plant expansion, improvement of equipment, home purchase and renovation, and credit buying. The manufacturer will not expand if he envisions a tightening market; he will not expand if he fears continuous labor difficulties. The consumer will not buy if he lacks faith in a product, if he fears that his income will not remain sufficiently high to sustain present expenditures, and he will not buy on credit unless he has reason to believe that his salary is secure.

The carryover of some of the 1946 attitude of suspicion, timidity, and distrust might well make for a degree of hesitation, and perhaps some recession, in business activity; but it is my opinion that it cannot last long because the inherent optimism of the American people and their present buying power will absorb and dissipate it. The increasing superiority of postwar products will become more evident, government's attitude towards internal unrest will become more constructive, and the need for new, reliable goods will become greater day by day.

The demand for goods can only be satisfied by manufacturing, transportation, and general business activity. There is no reason to believe that it will be impossible for the majority of the population to satisfy the desires that lead to the demand. A money supply four times that which was in the hands of the people in average years prior to the war is with us to stay until the government pays off substantial amounts of its bonds held by the commercial banks, or until those banks sell off substantial volumes of such bonds to non-banking investors. Either of these methods of reducing the present inflated money supply is possible, but neither is probable.

Not a Depression Situation

The situation today does not represent a condition of depression. The incidents of business activity and the inflation are visible all around us. Both to enjoy the fruits of boom and to face the dangers of inflation, we need confidence in our representatives in government, in our representatives in labor, and in management.

There is much more reason for worry in the possibility that our bankers and fiscal authorities will fail to turn their attention to the control of inflationary forces which have developed and are still being allowed to run free than there is in the widely broadcast predictions on the part of strike-gloomy businessmen that business is due for a setback.

We have inflated our currency. That is accomplished to the degree of \$165 billions. Our paper money is no longer convertible into gold and our bank deposits are only convertible into paper money. The purchasing value of our dollar even in the near future depends on factors hard or impossible to predict. Whether we suffer or escape the ruinous consequences of this inflated and paper currency depends on confidence or the lack of it. Inflation is not what happens to prices and wages; it's what happens to money. When we no longer have confidence in the future value of money we avoid future commitments payable in that money. We buy equities in land or stocks or we buy commodities. We buy them not because we want them now or think we may need them in the future. We buy them because we don't want to keep the money. That is the flight from money which puts inflation into high gear. It catapults prices, it multiplies the supply of money which produces a whirlwind of activity ending in a crash. Then comes the depression, and what a depression!

Air Mail to Far East

Postmaster Albert Goldman announced on Dec. 23 that correspondence for Taiwan (Formosa) and Chankiangshih (Kwangchowwan), may be accepted for transmission by air mail subject to the conditions and upon prepayment of the air-mail postage applicable to China.

The announcement added that air mail for China must not exceed 2 ounces in weight and the postage is 25 cents for each half ounce or fraction thereof.

Repeal of Maloney Act Advocated

(Continued from page 3)

member-dealers or brokers contravene it, they are subject to disciplinary action by the Business Conduct Committees.

By what native doctrine this special privilege and these financial advantages were meted out to a fractional segment of the dealers and brokers in this country, we have never been able to discover.

Such a provision makes possible the creating of a schism throughout all industry, were it to be applied to industry in general.

It is basically unsound, and a type of preferential legislation from which emanates distrust and discontent.

Because of this we have always advocated, and still advocate, the repeal of the Maloney Act.

Until such repeal is realized, the Board of Governors of the NASD, in our opinion, has the duty, at its meeting in January, of formulating an amendment to the Association's rules for submission to the members, which insofar as the NASD is concerned would completely emasculate the above un-American preferences by doing away with the existing rule that prohibits a member from giving a discount to a non-member.

We want our position to be clearly understood. In our opinion the monopolistic practices advocated by the above section are altogether illegal.

Repeal is the remedy since there is an existing hesitancy to test the law due to fear of reprisals.

We advocate NASD Board action as a means of ready relief intermediate in form, until the Congress shall have fully realized its responsibility and shall have acted.

Another vicious feature of the Maloney Act is the complete domination of a national securities association by the Securities and Exchange Commission, which its provisions set up.

Among the mandates in its provisions are the following:

1. The subjects on which there must be rules.
2. Supervisory power by the SEC.
3. Power in the SEC to compel rule making by a National Securities Association.
4. Right of review in the SEC and,
5. Power of life and death in the SEC, for it may either withhold permission for the existence of a national securities association, or may terminate its existence.

In view of this shroud upon independent action, NASD subserviency to SEC influence is completely understandable.

The provisions of the Maloney Act, the consequent operation of the SEC and the NASD as two statutory auxiliary policemen, and the segmental monopolistic privileges and advantages that make membership in the NASD compulsory—all this labels as ludicrous the claim that membership in NASD is voluntary.

The position of Wallace Fulton, the Executive Director of the NASD, is awkward. This, of course, is an understatement.

Here he is, an executive, with a large salary—the amount of which no one seems to know (two Governors say they don't know what he gets but believe it is $24,000 a year)—who acts as the handmaiden of every newly elected Chairman of the Board of Governors, accompanying the Chairman on a transcontinental tour into the various districts.

On these junkets, through the medium of talks and receptions, concentrated efforts are made to procure broker-dealer acceptance of the alien Maloney Act and NASD philosophy.

This Executive Director, the perpetuation of whose job is dependent upon the perpetuation of a piece of un-American legislation, what sum is he receiving as a salary?

Why doesn't he have the good sense to leave each newly elected Chairman of the Board of Governors of the NASD alone to a course of independent action?

Mr. Fulton has a stake.

His position is not unbiased.

When the Board of Governors of the NASD meets in January, it should realize all of this.

In view of the current trend particularly, the Board should take immediate action along the line we have suggested.

Daily the securities industry is becoming more and more incensed by the inequalities created through the medium of the Maloney Act.

Here the Board of Governors has an opportunity to establish a claim to leadership.

CONGRESS HAS A LIKE OPPORTUNITY.

The Financial Outlook

(Continued from first page)

whole, the improvement of transportation service and the belated increase in freight rates. All these things are reminiscent of 1919-20, and suggest to observers mature enough to recall those days the question whether the period immediately ahead of us will be reminiscent of 1920-21.

There are, however, three outstanding differences between the first boom after the other war and the present post-war boom. First, by the late spring of 1920, though shortages characterized the European economy, the European countries had run out of dollars, and many of them were practically out of gold. It was not until 1924 that their ability to borrow in this country on a substantial scale was restored. This time Europe is not out of dollars. I see no chance that the export market will fail to be very strong for at least a year—probably two or three years. The second difference relates to the financial situation. In 1920, first class commercial paper sold on an 8% basis, and concerns with the very highest credit could not float bonds below the 6% level. The Federal Reserve System, somewhat belatedly, as it now appears, was applying the 19th century technique of tight money to check the inflation, and the state of the gold reserves was bringing pressure upon them to do so. The Treasury's insistence on easy-money banking policy lasted only until the end of 1919, and the Reserve System's influence became anti-inflationary as soon as it was free to have a policy. This time we are financing the boom, as we did the war, on extremely cheap money, creaper even than in England where the spend-lend policy got its theoretical formulation. This time the Reserve System is a supporter of treasury-cheap money policy and has committed itself to the maintenance of the present rate structure on government bonds for the indefinite future, regardless of whether the budget is balanced or not, or whether we have inflation or deflation. Not only has the chief traditional instrument of credit policy against excessive booms been laid aside; a positive influence will be exercised if necessary to prevent that tightening of money markets which in the past has characterized the late stages of every industrial boom. No deflation in history ever started in a cheap-money period—although it must be admitted that in 1937 the tightening was very moderate.

A Depression Phobia

The third difference between the present situation and the boom of 1920 lies in the general expectation of the country with reference to the economic future. In 1920, the commodity price level, like the stock price level of 1929, was generally accepted as permanent. Prices had gone up so long that they were expected to keep going up indefinitely, or at least to stay up. Now, on the other hand, all English-speaking countries are thoroughly depression-minded. The long deflation of the 'thirties has created a depression-phobia that is as close to being indestructible as was the fear of inflation which dominated the thinking of all countries in the late 19th and early 20th centuries, and persisted in continental Europe clear down to the middle 'thirties. After six years of inflation, most of the institutions that were set up in the 'thirties to combat deflation are still going concerns. The danger of excessive inflation is still being treated as just an episode interrupting the senescence of an economy in which the important problem is the maintenance of adequate purchasing power to support markets and provide employment. You may remember Walter Reuther's comment last April that even if the wage demands presented to General Motors turned out not to be justified by the company's profit prospects, they ought to be granted anyway, as "General Motors contribution to the maintenance of purchasing power!" This was at a time when by every test that experience suggests, purchasing power was more excessive than it had ever been before in time of peace. This obsession of impending deflation explains the error of the Washington economists a year ago when they predicted eight million unemployed by March. Now a large section of the business community, particularly the distribution sector, is, in my judgment, repeating that error. In both cases, forecasters under-estimate the dammed-up purchasing power of the community, and the extent to which ever since 1941 restraint in the use of purchasing power has been due to shortages of the things that people want to buy. Demand revives as supply reappears. This applies both to individual demands for consumption goods and to industrial demands for capital goods.

Danger Spots

What, then, are the danger spots if a down-trend in business is threatening? A decline of agricultural prices will never throw an industrialized economy into a tail-spin. The prosperity of the 'twenties was built on cheap food for the urban population and a discontented agriculture. England's relative stability in the 'thirties was explained by the fact that foodstuffs, wool, and cotton fell in price more than did her industrial prices. Nor will strikes and wage increases throw the economy into a tail-spin. Rather, they will prolong the period of shortages and accentuate the price rise. Industrial relations are always bad in boom times. The danger in excessive wage increases is not that they will shorten the boom, but that when it does end they will make the succeeding deflation so much the worse because the wages will not come down as prices fall, and employment will be aggravated.

The Inventory Situation

The inventory situation, however, can't be brushed off so casually. As I said a moment ago, there is at least a superficial resemblance to 1920 in the present inventory situation. Since last June total inventories have been rising at the rate of over one billion dollars a month. Part of that is due to price mark-up, or the replacement of lower-priced goods with higher-priced goods, but more of it is a genuine increase of physical stocks. It is distributed all along the line from raw materials to finished goods, although it is notoriously uneven at every stage. Inventories cannot go on increasing forever, and this raises the question whether, when the inventory curve flattens out, the extra labor that is engaged in producing goods over and above current sales will promptly and automatically be absorbed somewhere else. We may estimate that two to three million people are employed in producing for inventory over and above replacement of goods currently sold. The severe but short depression of 1921 covered the interval between the termination of an inventory boom and the development of a boom in heavy goods—construction, industrial equipment, etc.—which lasted for over six years, with minor setbacks, of course.

I do not believe that the inventory boom has run its course. According to prewar ratios of inventory to sales, inventories are actually low all along the line. Everybody knows that we cannot yet walk into a store and buy what we want if we have the money. That may not be true much longer. The shortages, except in the goods having a very long production period, are being made up. *But we don't have to have shortages to have a boom or a price inflation.* Either excessive demand or deficient supply will push prices up. We have been having both, but a restoration of what we think of as a normal supply situation will not destroy the high demand that is based on both high liquid savings and high incomes. To my mind, the most probable development is a gradual shift from a soft-goods boom to a construction and heavy-goods boom. There is a huge backlog of demand not only from housing but from public utilities, at least telephone and electric power, from deferred municipal projects, and from industry, as well as automobiles and other consumers' hard goods.

A Durable Goods Boom

The shift from an inventory boom to a construction and durable goods boom, as was said a while ago, we made in 1920-23, only at the cost of a short, severe depression. I think the differences between the situation then and the situation now are controlling. Europe has not run out of dollars and its needs are still acute. The Reserve System has not put the screws on the banking boom and has no apparent intention of doing so. Taxes are not going to be raised, though they may not be lowered as much as is now being suggested. Federal public works are not going to be curtailed further; indeed, we shall be fortunate if they are not expanded too soon.

The problem, therefore, is still one of preventing inflation rather than staving off a collapse. Subject, of course, to the entrance of untimely new factors like an upset in international relations, the immediate outlook is for a continuation of high employment and sellers' markets, but with increasing supplies of the goods that are shortest. Here and there, of course, there will be miscalculations and spotty surpluses. But the pessimism that is spreading in the business community, particularly in distribution lines, is, I think, premature. It is the expression of the same pessimistic philosophy as the ill-fated forecast of the government economists a year ago. There is great danger that it will divert attention from the major risk of continued inflation, and lead to premature revival of government expenditure policies, tax policies, financial control measures and so on (some good and some bad) that were worked out in the middle 'thirties to combat depression. Let us not forget the old story of the boy who, for fun, cried "wolf, wolf," till everyone wrote him off as a perpetual false alarm clock. If there are many authoritative forecasts of a slump in early spring and it doesn't come through, after the failure of last year's forecasts, and if the same thing happens next Fall, we may create a chronic skepticism and a belief that prosperity will last forever; a new era of the late 'forties that will be as stubborn as the over-optimism of the late 'twenties and the over-pessimism of the late 'thirties. Then when you see and try to point out signs of overpricing, overaccumulation, and overbuilding, no one will listen to you.

Britain Bases Peace Policy on UN

(Continued from page 11)

in achieving victory, the more destruction is caused. And the more difficult it becomes to create again a smooth working machine. At the end of every struggle of this character, people's minds turn to some method to try to prevent a recurrence, and on each occasion plans are prepared, as was done at the end of the 1914-1918 War, when President Wilson, in addition to the Treaties, proceeded to propound, with others, the idea of the League of Nations. Hopes were raised, and unfortunately in that case only led to disappointment.

This war has been more worldwide than the 1914-1918 War. Then the countries of the Far East were Allies, and the trouble was limited to the war against Germany and to the Middle East, from which the dissolution of the Turkish Empire followed. In this war the whole world was involved and the Allies had to face a far more powerful concentration of foes—Germany, Italy, Japan and their satellites—and to liberate a far greater area from the enemy's domination.

This world-wide war carried in its train the most devastating destruction ever known and with it an intensification of scientific development for the purposes of war greater than in any previous period—proceeding from high explosive to the rocket and atomic energy, and with a perfection, although not used, of bacteriological warfare and other devilish devices which overshadowed peace planning and caused suspicion and made confidence so difficult to establish.

In its train all this brought with it the terror of the concentration camp, the introduction of slave labor running into many millions. Indeed, it would be true to say that over vast areas there was scarcely a village or a home that was not affected to a greater or lesser degree.

In the end, victory was achieved, but with a mountain of debris, human and material, and costly disaster which is almost beyond the human mind to appreciate or understand. It was in these conditions that the peacemakers had to begin their work, and I ought to explain that despite the immensity of the struggle, peace making was being studied while the guns thundered over the earth.

First Essential of Peace

To make peace, the first essential in creating a new machine to regulate international relations and get them working smoothly again is to have a plan, just as an engineer, when contemplating a new machine, begins in the drawing office. You have to think out every detail, and while we were doing that in our Commonwealth, so Governments elsewhere were thinking it out too. It was like great research groups operating in different countries. Then they must be brought together, examine each other's ideas and see whether a better operating instrument can be devised for the future to replace the one which broke down at the outbreak of war. That is what is being done. That is what the conferences during the war and at Potsdam were trying to do. But everybody likes his own design. The great difficulty is when you come to put them together and try to make one workable machine.

The first thing that emerged happily was a realization of the defects of what I will call the Wilson design, or the League of Nations, and the substitution in its place of what is now known as the United Nations, though no one must imagine this is perfect.

There was an impelling force for the creation of this institution and while nothing that comes off the drawing board is perfect, as time goes on, improvements are effected, modifications will be introduced, and that is what Statesmen are doing. At the conference in New York we found this process operating pretty effectively.

The Veto

One of the parts of this instrument was what is called the veto. It has been found a difficulty in its early trials. To solve this difficulty I called a conference of the five permanent members to see if a code of conduct could be established by the Five Powers. While we could not then agree I am sure such a code of conduct will be adopted in practice. We are not abolishing the veto, but we are trying to modify its use, to let it serve the purpose for which it was originally intended.

Bound up with international action, and the debris of war to which I have already referred, an enormous amount of improvization has had to be done—for the liberated countries, through UNRRA, the International Relief Organizations and so on. All have to grapple with immediate problems of world disorder. Out of the United Nations have also been born other instruments of a permanent character like the Economic and Social Council, Health and Education Organizations, and now, during the latest meeting of the Assembly, the first steps have been taken to deal with disarmament.

So far as our country is concerned, we have had to decide what our policy was to be. Having been in two wars, we have decided to construct the whole of our future relationships with the world on the basis of the United Nations. It is of prime importance to us for our future security and development that this instrument should be effective and should give us and the rest of the world the security for which for generations humanity has been yearning.

Policy Based on Effective U. N.

I have made it clear that while we would not yield to pressure for propaganda purposes we would supply all the information required by the Charter to make this instrument effective. We have got to create what I call policy conditions or political conditions of such a character that will achieve three purposes. One is to make unnecessary the use of national armaments at all. And in that regard, if international policy wins, then all scientific development will be used for peaceful purposes. Instead of frontiers bristling with guns, we must attain a state of peace in which the mind of man is turned towards his economic and cultural development without fear. That is what freedom from fear really means. And the third purpose is to make the great natural resources of the world available to all. There should be no limits on the possibility of raising the standard of life of the great masses of the people who have never yet had an opportunity of enjoying to the full all the advantages which modern life offers.

Thus, the permanent instrument to which we look for the salvation of the world is the United Nations. But there are immediate tasks to be accomplished before the debris of war is cleared up. The peace treaties are one of these tasks. The preparation of the treaties has been done by the Council of Foreign Ministers, beginning with Italy and the ex-satellite States of Germany.

We have devoted 98 meetings to the discussion of these treaties. Why have they taken so long?

Because every clause, every paragraph, has been contested and judged by the test of whether it would ultimately fit in with the greater organization. During the last three weeks of the meetings, we went ahead. It was a very welcome change to the earlier stages, when passions were high and misunderstandings great, and when we were working in the atmosphere of the immediate aftermath of war. It has been a very trying time. But I am glad that patience has triumphed. And I am fully convinced that understanding will grow. For at last we have succeeded, and the treaties are ready for signature. From them I take just a few illustrations. They are too long to deal with in detail in a broadcast, but you have heard a good deal about Trieste. Why is it so important? Well, it is where the Latin and Slav meet, where for centuries they have struggled. We have now left as few of the Italians as we could under Slav rule, and as few Slavs as we could under Italian rule. On the other hand, by the formation of an international zone, we have created a meeting ground at a port where I hope great trade will develop and which if used rightly, will serve at least 70 million people in Europe—Yugoslavs, Italians, Czechoslovaks, Poles, Austrians, Hungarians and Swiss. I can only hope that the Yugoslavs and the Italians will seize this opportunity for cooperation. Another illustration is that of the Danube. In the treaties we have provided for freedom of navigation on this great waterway of vital international importance, a channel of trade to many countries, and, if used aright, a source of great health-giving trade development for the whole territory. One other illustration — The Tyrol. There again we have relented, I believe, an irredentist movement by promoting an agreement between Italy and Austria, which should be of benefit to the whole of the Alpine Powers. My policy is to work to create conditions in which the different races can cooperate and which will reflect themselves in the happiness and freedom of the people. In every discussion I keep before me the thought—Can I turn this to the economic benefit and prosperity of the common people. I urge the people of Europe to help by taking a broad view. Yugoslavia has a great task of economic reconstruction ahead, and will, I believe, cooperate to the fullest possible extent. Italy, injured as she is by the war, can be sure of the help of the rest of us. She must herself provide will and leadership on the part of her own democratic leaders. If this is done, she will soon get on her political legs. And the Balkan countries may be assured that if they desire trade, they can have it. That is why I am glad our treaties provided for no discrimination. The other task with which we have had to grapple is the future of Germany. Great difficulties have arisen but we have made a practical beginning towards their solution by fusing the British and American zones on the clear understanding that the other zones will be welcome to join us if they wish. We are sharing the cost of this fusing between the United States and ourselves. We are pooling technical resources and skill. We shall create conditions which will allow the German to regain his self-respect. But I warn the country that this will take time. Hitler so drilled his people that it will take at least a generation to get things right. Education, wrongly used, has a disastrous effect on peace making. We are coming up against this problem continuously. UNESCO should be a great help.

We have laid down an agenda for a further meeting of the Council of Foreign Ministers in Moscow on March 10 next, at which the whole economic and political future of Germany will have to be dealt with. We must avoid the creation of a cesspool of cheap and half-starved labor in Middle Europe. At the same time we must ensure that Germany can never again be a menace to the Allies, who have had to fight her twice in 25 years. The Moscow Conference will also deal with the problem of what occupation forces should remain in Germany, and how civil government there can gradually be built up. At Moscow we shall also discuss Austria, which was overrun by Hitler and which has been recreated. We shall attempt to finalize her position by a new treaty. When you see the agenda for this conference, you will understand the enormous amount of preparatory work that has to precede the conference, and the enormous amount of work to be done at Moscow.

Different Economic Systems No Barrier

Throughout all these negotiations, my colleagues and I have been striving to find an approximation of ideas between the great powers themselves. It is true that we represent different economic systems: America, a country of free enterprise, has shown a willingness to play her part to the full in the creation and maintenance of a sound and effective international instrument, and has indeed offered to enter into a 40-years treaty, to make sure of the disarmament of Germany and Japan; Soviet Russia, who has evolved an entirely different system, but who has been invaded and suffered terrible destruction which has practically undone the whole of the great economic work she had accomplished between the revolution and the Hitler attack, now has to recreate herself again; France, who has been invaded three times, who has given to the world enduring principles of liberty and has a deep culture and a wide literature. France, too, is making her contribution to this new interlocking world; China, who has gone through such a devastating period, still torn by civil war, will yet unite and contribute with her age-long philosophy and experience; and Great Britain, developing rapidly her social democratic state, with her great experience and having learned the lessons of leadership through the many years of her evolution has, with the Commonwealth, a great contribution to make, and will still take her place as a great power.

The war has left two great powers preponderant — the United States of America and Soviet Russia. Great Britain lies midway in geography and way of life. Whereas, Soviet Russia and the United States are land empires, their metropolitan territory occupying a vast area; Great Britain and the Commonwealth are spread over the seven seas. Can any one believe that if the five great powers live in concord and harmony and are helped by the smaller powers who are contributing their energies and their hope, war is possible at all?

I believe we have entered the first stage of establishing concord and harmony between the great powers. What is the ground for that belief? First, we are agreed on the first round of the peace treaties, which are the instruments to restore normality after the war. Second, we are shaping the organization to which the United Nations look to guide their relations and keep the peace. Great Britain, with her experience, has, if I may say so without boasting, much to give to others. As examples of what we have done: Ours were the first drafts of the treaties; ours the first draft of the Charter; and apart from the work of the peace making and shaping of the United Nations Organization, we have been pursuing our pacificatory and modernizing course in those parts of the world not directly affected by the Council of Foreign Ministers or by the United Nations Organization, where we have interests or influence.

I cite only the Netherlands East Indies, where British statesmanship through two men, Lord Inverchapel and Lord Killearn, lent its help and experience to promote an agreement between the Dutch and the Indonesians. This agreement, which has now been approved by the Netherlands States General, is a constructive contribution to the pacification of a large area. It has laid the dust of war, and will open up a vista of hope and progress to many millions of Southeast Asians, who are thus ready to take their place in the modern world. All these developments illustrate the patient and constructive efforts of British policy since the end of the war. You have all heard the allegations that we are joined too closely in our policies with the United States; that our relations with Soviet Russia are not so close as they should be, and that this course will retard the pacification of the world, and may lead to another world war. My first answer to these allegations is that Great Britain brings her mind to bear on every problem on its merits. She does not tie herself to anybody, except in regard to her obligations under the Charter, and I think what I have just said about our policies shows that we have a mind and purpose of our own.

My second answer is that we hold out the hand of friendship and cooperation to all, for we believe profoundly that such friendship and cooperation between the Great Powers is the surest basis on which to build a peace for all time. Soviet Russia, who is now recovering from the wounds of war, fully realized, I think, at New York that there was a great desire for complete understanding, and that there is throughout the world a readiness to cooperate with her and see her develop her system in her own way, with the recognition that others equally have the right to their own way of life.

In this talk I have tried to sketch the background against which we are working for peace and shall have to continue working for several years to come. So do not be impatient. We must build slowly, striving for perfection. For remember the peacemakers are building not only for this generation but for generations yet to come.

Foreign Investment Protection

International Chamber of Commerce issues interim recommendations to ITO

Pending the publication in the spring 1947 of its full recommendation and report on foreign investment, the International Chamber of Commerce draws the urgent attention of governments and of the Preparatory Committee of the International Conference on Trade and Employment to the following three points:

1. The future Charter of the International Trade Organization should include a section dealing with the question of international capital movements;
2. Provision should be made in the Charter for the elaboration and adoption of a Code of Fair Practice in the field of foreign investment;
3. Suitable machinery should be set up within the framework of the ITO to implement these recommendations.

Chemical Bank Paying Agent for Uruguay

Chemical Bank & Trust Co. has been appointed paying agent for the consolidated debt 3½% sterling bonds; 5% gold bonds 1914 and 5% external gold bonds 1919 of the Oriental Republic of Uruguay.

Nationalization Threat Slows Foreign Investment in Italy

(Continued from page 5)

Swedish and Swiss financiers have displayed interest in several industries. The Swiss have purchased sites for residential buildings in several cities, most important of which are Milano and Genoa. Both Swedish and Norwegian investors considered venturing funds in Italian telephone and shipping enterprises. Unfortunately, these negotiations have not been completed on account of the possibility of nationalization.

Several leading politicians have delivered speeches favoring nationalization of Italian industry and by their talks caused the withdrawal of offers of loans. Utterances of this type have taken place in Milan where meetings to discuss the merits of government owned versus privately owned industry put the question before the public. Opinions are strong on both sides. But the main feature of the question is often overlooked, namely, that the Italian Treasury is not in a position to take on additional burdens, as would certainly result from nationalization. On the other hand, an example of the State doing better than the privately owned corporation is evidenced by the present condition of the Italian Street Railways which have regained 60% of their prewar efficiency, though it is is true that they still lack so much rolling stock that their transports are handicapped.

Facts would induce one to believe the Italian Government is aware of the above condition since it has become necessary to consider organization of coal imports. Stoppage of aid from the UNRRA forced the Cabinet to appreciate the importance of securing cooperation of individual coal importers who have been given 50% of the corporation which is to handle coal purchases in the future. In addition, shipping interests are now under the control of the Instituto di Recostruzione Industriale (IRI), a department of the Ministry of Finance, and efforts are being made to preserve the cooperation of private owners.

The Chances for Nationalization

Under these circumstances, it is evident that one is induced to ask himself whether there is any real danger of the Italian trade and industry being actually nationalized, or whether the Italian Government itself can conciliate the social programs of diverse parties represented in the Italian Cabinet with the fundamental vital principle of the exploitation of the individual spirit of initiative?

In order to be able to judge the situation, it should be noted that the Italian Government already controls, through the above-mentioned Instituto Ricostruzione Industriale (IRI), the following Italian business organizations:

	Capital—In Lire (000's Omitted)	
Banking and Finance—		
Banca Commerciale Italiana—Milano	700,000	95%
Credito Italiano—Genova	500,000	80%
Banco di Roma—Roma	300,000	96%
Banco di Santo Spirito—Roma	50,000	99%
Credito Fondiario Sardo—Roma	29,000	81%
Societa Italiana Strade Ferrate Meridionali—Milano	715,000	8%
S. A. Gestioni Esattoriali—Roma	5,000	10%
Italiana di Assicurazioni Credito—Roma	1,020	13%
Societa Finanziamento Titoli—Roma	1,000	100%
S. A. Gestioni Azionarie—Roma	1,000	100%
Shipbuilding Yards—		
Ansalodo—Cornigliano Ligure	500,000	76%
Ansaldo Coke—Genova	1,500	100%
Opere Sociali Ansaldo—Genova	----	100%
Officina Allestimento & Riparazione Navi—Genova	2,500	100%
Soc. Vendita Esercizio Motori—Roma	100	60%
Odero—Terni—Orlando—Genova	150,000	80%
Cantieri Riuniti dell'Adriatico—Triesta	200,000	75%
Naval Meccanica—Napoli	123,000	100%
Engineering—		
Alfa Romeo—Milano	240,000	99%
Arsenale Triestino—Trieste	100,000	100%
San Giorgio—Genova	200,000	50%
La Filotecnica Salmoiraghi—Milano	20,000	98%
Electric Industry—		
Societa Idroelettrica Piemonte—Torino	996,000	50%
Vizzola Soc. Lombardo—Milano	10,000	52%
Idroelettrica Sarco Molveno—Milano	100,000	51%
Societa Elettrica Trentina—Milano	168,000	79%
Societa Generale Elettrica della Sicilia	300,000	45%
Societa Elettrica Sarda—Roma	150,000	46%
Societa Meridionale di Elettricita—Napoli	1,125,000	33%
Unione Esercizi Elettrici—Roma	269,000	54%
Iron and Steel Industry—		
ILVA—Genova	1,000,000	61%
Soc. Ital. Acciaierie di Cornigliano	500,000	100%
Mineraria Siderurgica	25,000	100%
Stabilimenti di S. Eustacchio—Milano	8,000	99%
Terni—Genova	1,500,000	53%
Dalmine—Milano	120,000	52%
Shipping—		
Italia—Genova	500,000	95%
Lloyd Triestino—Trieste	300,000	95%
Adriatica—Venezia	150,000	95%
Tirrenia—Venezia	150,000	95%
Telephones—		
Telefonica Interregionale Piemontese e Lombardo—Torino	330,000	96%
Telefonica delle Venezie—Venezia	78,000	100%
Telefonica Itali Medio Orientale—Bologna	100,000	100%
Soc. Elettrotelefonca Meridionale—Napoli	102,000	*17%

*The remainder is in the hands of the Ericsson group.

Further, the Italian Treasury is interested with the Pirelli Tyres Co. in some synthetic rubber factories, in some tourists' concerns and in some road building and railway companies of secondary importance.

From the above list of government investments it appears, however, that the Italian State already controls the majority of the private banks, at least 70% of the Italian shipbuilding industry, 40% of the engineering industry, 25% of the Italian electric industry, 70% of the Italian iron and steel industry, 90% of the regular Italian steamship services to overseas and the majority of the Italian telephone system.

Under such circumstances what would be the use of developing the nationalization of the Italian industries, for the present investments represent a heavy burden upon the shoulders of the State. For example, the capital of the shipping industry is no longer guaranteed by any tonnage. Eighty per cent of the four lines controlled by the State has been lost or badly damaged during the war. Consequently, the Treasury will have to secure the funds from the taxpayers for rebuilding the vessels. Under these circumstances, would it not be simpler for the Government to settle the problem by turning business to private ownership and initiative and leave businessmen to settle the question of replacing lost tonnage? Othewise, the taxpayer would be sacrificed.

Unhappily, political propaganda tries to represent economic problems under an unreal light. No foundation exists to support the theory that the 1,850,000 unemployed in Italy would find jobs in the fulfillment of either the theory of State or private enterpise. Nor can either party promise an increase in employment.

Communist Agitation

It should not be forgotten that much propaganda finds its origin in the ideology connecting some of the parties with Eastern interests. This appears true when one considers that the Communists endeavor with great persistence to develop business relations with the East in place of the West. The leftist press has emphatically criticized the idea of oil concessions to American and British oil companies. They dislike leaving the oil and petroleum products trade free on the Italian markets.

It is of highest importance that the problem of the Italian economic and financial reconstruction be considered from a practical point of view; that is, from the necessity of granting the most support to all those who insist upon the development of individualism in trade and industry. A great step towards this end has been reached. Investment of Swiss capital in Italian building industry marks an opening of an epoch. Such production and enterprise offers an excellent contribution toward the amelioration of the unemployment problem. Foreign loans will destroy one of the main arguments of the supporters of the idea of nationalization.

Unity for Progress

(Continued from page 10)

peace. Those who hold up Russian standards as a guide for us in the United States do not believe in freedom. As American progressives we are not interested in any fight between the Russian haters and the Russophiles. We believe that much of such fighting is engineered by the enemy. We shall not allow the attacks of the enemy to stampede us into foolish redbaiting. Nor shall we allow those who owe their primary allegiance to some foreign power to determine our course. Belief in freedom is the first article in our credo and we shall fight for all freedoms which are in accord with a peaceful world and a fully employed, prosperous America. I still believe in a free American press, even though it lies continually about Russia and labor—and thus endangers both world peace and industrial peace. The cure for such lies is more freedom, more education, more knowledge, and more decent self-restraint. We do not believe in the freedom of monopoly, whether of the press or of cartels, to interfere with the free, private initiative of small business men. But neither do we believe in that excess of anarchic freedom which produces the chaotic extremes of the business cycle and leads to recurring periods of bankruptcy and unemployment. We believe that labor, business and government can act together through the President's Economic Advisory Council to prevent the business cycle from going to such dangerous extremes as it did from 1925 to 1933.

Belief in freedom does not mean that we stand for turning the country over to the "laissez faire" big business interests and their special pleaders in the journalistic and political world. It does not mean repeating the planless, selfish mistakes of the twenties all over again. The "laissez faire" freedom of selfish big business inevitably leads to depression, higher tariffs, political confusion in many nations, revolution in some nations, and eventually—war. To prevent this we must have a certain amount of both international and national planning. We must have in the United Nations something corresponding to the President's Economic Advisory Council in the United States. Eventually the United Nations must become a World Federation, but we cannot expect Russia to become a part of such a Federation until the United States has demonstrated her ability to eliminate the excesses of the postwar business cycle.

We progressives believe that the United States can eliminate the excesses of the business cycle without danger to peace or to the essential freedoms. To do the job we must live in the future, not in the past. The Republican leadership in Congress is in serious danger of repeating its mistakes of the '20's as it deals with tariff, taxation, and fiscal policies. To prevent the Republican Congress and the "laissez faire" big businessmen from leading us down the high road of boom, bust, and war is the immediate justification for our progressive existence. The ultimate justification of the progressive cause is a positive program of world peace, world prosperity and world freedom.

We progressive, independent citizens believing in political action, are not defeatists. Roosevelt is gone, but in the true Roosevelt spirit we are looking ahead to a better organized progressive movement. We believe that three-fourths of the American people will believe in our message provided we go all out to get it over to them. American labor, whether AFL, CIO, Railway Brotherhood, or independent, is with us once they understand the issues. So also are the majority of the artists, scientists, and professional people. They all believe in the fundamental Americanism of our approach. The American doctrine is a revolutionary approach. It is as revolutionary as the Declaration of Independence or the Gettysburg Address. It affirms the equality of man, the freedom of man and the pursuit of happiness as the goal of man. The farmers and small businessmen will not always be with us at first, but when the wheel of the business cycle turns, both farmers and businessmen will reach out to understand our progressive program.

More and more the American people will question a program of imperialism and heavy armament as the true road to peace, prosperity and freedom. Your job as a progressive organization is to reach that majority of the population which is potentially progressive but which, due to lack of information, is in the hands of the conservatives at the present time. If you succeed, the pattern of Postwar II will be different from that of Postwar I. In your hands rests the responsibility for leadership. You should pass up no opportunity to advance the progressive cause. Continually you should work with the President's Economic Advisory Council. If you have any channels through which to work, you should do everything you can to make President Truman's message to Congress this January as forward looking as his message of September, 1945. We must continually make it clear to the Administration that we, as progressives, would prefer the election of an out and out reactionary like Taft in 1948 to a luke-warm liberal. We want this to be a genuine two-party country, and not a country operated by a fake one-party system under the guise of a bi-partisan bloc.

We have less use for a conservative, high tariff Democratic Party than we have for a reactionary, high tariff Republican Party. If need be we shall first fight one and then the other. At the moment our objective is to make the Democratic Party out and out progressive. If the new Independent Citizens for Political Action is to be effective as an organization its members will move into every precinct in the country to educate the people and control the political machinery. The appeal must be to all citizens including housewives. There must be neighborhood meetings in every locality to study the principles of I.C.P.A.

We must also uphold the good right arms of all progressives who are in Congress, as well as those who were defeated last November. Koppleman, Hook, MacMurray, Outland, Mrs. Woodhouse, and countless others who were faithful public servants can be useful during the next two years. They should be busy writing articles, making speeches, and taking part in your councils. We shall see them in Congress again.

As we work we must fight off the enemy, as his stooges try to stir up jealousies and get us fighting among ourselves. We shall never be against anything simply because Russia is for it. Neither shall we ever be for anything simply because Russia is for it. We shall hold firmly to the American theme of peace, prosperity and freedom, and shall repel all the attacks of the plutocrats and monopolists who will try to brand us as Reds. If it is traitorous to believe in peace—we are traitors. If it is communistic to believe in prosperity for all—we are communists. If it is red-baiting to fight for free speech and real freedom of the press—we are red baiters. If it is un-American to believe in freedom from monopolistic dictation, we are un-American. I say that we are more American than the neo-fascists who attack us. The more we are attacked the more likely we are to succeed, provided we are ready and willing to counter-attack. On with the fight!

Truman Xmas Message For Wounded Vets

President Truman, joining Gen. Omar N. Bradley, Veterans Administration chief, in Christmas greetings to veterans who had been wounded in the war, on Dec. 19, according to United Press advices from Washington, assured the 112,000 men and women in veteran hospitals and homes throughout the country that although the United States had "not as yet achieved or secured the peace for which you fought," there is greater hope for its achievement in the future with "men and women everywhere, working together in unity, seeking to establish mutual understanding and justice in this world."

General Bradley's message declared, said the same advices, that Americans everywhere were determined to give wounded men and women opportunities for "health" and a "place in this world."

Colmer Committee Recommends Self-Sustaining Germany

(Continued from page 7)

State Department Leadership Backed

While noting that the report, entitled "Economic Reconstruction in Europe," seemed "critical in detail," the committee wholeheartedly backed "the strong and vigorous leadership that the State Department has given in carrying out the protection of American interests in many areas."

Therefore, the committee continued, their recommendations are "not meant to condemn in any way the broad over-all policies which the Department has been pursuing, with the support of both political parties, but on the contrary to point to avenues of further improvement and still stronger bargaining."

Several members of the committee, which was established in 1944, examined economic and political conditions during a tour of the Middle East and Europe, including Russia, late last year. Drawing on these first-hand observations, the committee pointed out that Germany and Austria occupy a position of "crucial importance" in the recovery of Western Europe and that because of this the United States must lead the way in reconstruction efforts.

German Reconstruction Emphasized

In fact, the committee said, "our objective in administering the economic affairs of Germany is to make that country self-sustaining without at the same time permitting it again to threaten the peace of the world." Germany's economic rebirth must be stimulated by this nation to lighten the huge relief load on American taxpayers—estimated as likely to reach $200,000,000 a year in the U. S. zone in Germany plus a comparable figure now being loaned to support relief in the British and French zones.

At the same time the committee pointed out that potential German war-making industries can be controlled by a system of direct inspection as well as through import controls, which would prevent stockpiling of strategic materials. These steps, the report said, can prevent the German war machine from rising again.

The committee noted that "with the loans and increase in credits that should be available through the International Bank and Fund, the liberated countries must turn to other sources than German reparations" for financial aid and in any event "should pay for their taking of German coal in order to afford some exchange for necessary imports."

Unless this principle is insisted upon by the United States, once more we shall pay a major part of German reparations, this time not by private loans but by occupation costs and relief for western Germany," the report continued.

"Watchful Waiting" Indicated

Recognizing that "hopeful signs have appeared in the past weeks of a change in the Russian attitude," the committee said that this apparently has resulted from a "stiffening resistance" to previous Russian policies.

"This may," the report went on, "offer some hope of permitting an ultimate integration of Germany along economic lines. It should be emphasized, however, that these moves as well as others in the area of disarmament proposals could, in the light of previous experience, be merely tactical withdrawals in the face of increasing insistence and not alterations of basic strategic objectives. A policy of watchful waiting is indicated."

Up to the present time, however, the committee maintained, the political and economic policies of Russia "have retarded the recovery of all eastern Europe and threatened to run an economic line as well as a political frontier across Europe from 'Stettin to Trieste'."

Major Recommendations

The committee listed these major recommendations and suggested Congressional inquiries to implement all of them:

1. A review of the financial aspects of our occupation policy in order to substitute productive and self-supporting economies in ex-enemy countries for the present method of supporting them with American money while they, in turn, are being drained by Russia and France.
2. An end to American contributions through UNRRA relief and the substitution of specific assistance to the western occupied zones of Germany and Austria.
3. Loans to our occupation authorities through the Export-Import Bank to start the flow of raw materials necessary for industrial production.
4. A further inquiry into the remaning restrictions on the movement of business men; and into the methods by which freedom of access into foreign countries of American information agencies including books, magazines, papers and moves as well as our reporters can be facilitated.
5. A specific study of safeguarding the trade recommendations with respect to the abuse of state trading practices, particularly by the state monopolies of nations who are not members either of the (Export-Import) Bank, the (International Bank and) Fund, or of the International Trade Organization.
6. A study of the desirability and effectiveness of the elimination of the export of American technical know-how and of finished products which could be useful in the development of atomic weapons . . . Security considerations may call for broadening such controls over exports to prevent building of other armaments.
7. The holding up of further settlements of lend-lease until inquiries as to the fulfillment of the conditions of the lend-lease agreement and equal trading operations for the United States have been secured.
8. A study of the nature of the employment of gold reserves by countries which are not members of the International Bank and Fund which may prejudice the operation of gold as a medium of international exchange for multilateral trading.

Additional Suggested Policies

In the following fields the committee also recommended that:

Transportation — No surplus merchant vessels be sold to Russia until her wartime lend-lease agreements have been kept; strong measures be taken to force the return of coal cars from the French, Polish, and Russian zones to support additional coal production in the Ruhr; more attention be given to getting freer navigation of European waterways; restraints on German maritime shipping be realized to improve her foreign exchange position.

Fuel and Raw Materials—Top priority be given to coal production in Germany to help her whole industrial economy; export of coal to the liberated countries be kept at a maximum ceiling with increases in production going to raise the level of industrial output in Germany; no reparation shipments be made from U. S. or British zones to Russia and France unless the latter pool their economic resources with those of the British and U. S. zones.

Communications, Travel Movement—Full support be given for the creation of Hansen-type passports for the travel of stateless persons; every effort be made to break down barriers to the movement of persons and to communications generally.

Relief, Food, Clothing—Greater assistance be given Germany in improving her export position and thus allowing for greater imports without so much direct relief from the U. S.; Italy be regarded as a primary responsibility of the U. S. in the matter of loans for raw materials; Greece similarly be the responsibility of Britain.

Foreign Trade—Action be taken to enforce agreements with Britain giving us access to several raw materials and commodities now being purchased on a "preemptive scale" by Britain; Congress empower the State Department to require registration of all contracts for the sale of American finished products and technical skill to countries operating through "monopolistic state trading organizations."

German Reconstruction — A complete revision be made of military government regulations which prohibit all work to many Germans until they have been cleared of "denunciations" by the slow processes of court trials; the position of the U. S. Civil Affairs Division of the Army be strengthened with relations to local military commanders so that policies of the Office of Military Government be imposed more authoritatively.

Committee members besides Chairman Colmer are Jere Cooper (D-Tenn.), Francis E. Walter (D-Pa.), Orville Zimmerman (D-Mo.), Jerry Voorhis (D-Cal.), John R. Murdock (D-Ariz.), Walter A. Lunch (D-N. Y.), Thomas J. O'Brien (D-Ill.), John E. Fogarty (D-R. I.), Eugene Worley (D-Tex.), Charles L. Gifford (R-Mass.), Richard J. Welch (R-Cal.), Charles A. Wolverton (R-N. J.), Clifford R. Hope (R-Kan.), Jesse P. Wolcott (R-Mich.), Jay LeFevre (R-N. Y.), and Sid Simpson (R-Ill.).

The report was prepared with the assistance of the committee's staff director, Marion B. Folsom of Eastman Kodak Company, and the group's consultant Dr. William Y. Elliott of Harvard University, both of whom accompanied the committee on its trip to Europe.

A National Labor-Management Conference Needed

(Continued from page 8)

tained levels of production are the key to the wage-price profit factors which make up the economic equation.

2. A realistic evaluation of our material supply compared to our needs at projected higher levels of production and the initiation of coordinated action and planning to increase production of basic materials through maximum utilization of existing facilities, public and private; where existing facilities are inadequate, construction of new facilities, either privately or publicly financed, must be undertaken without delay.
3. A voluntary system of allocation of scarce materials on the basis of essentiality to eliminate hoarding and stockpiling; joint research studies by private and Government technicians to find, develop and make available substitutes for scarce materials.
4. Practical ways and means to break the vicious wage-price cycle that has kept our economy on a merry-go-round at an increasingly accelerated pace since V-J Day, and at the same time projection of a long-range economic policy that will get wages, prices and profits into the proper relationship so that we can achieve and maintain a balance between mass productive power and mass purchasing power.
5. Exploration of means of establishing a guaranteed annual wage in American industry, through collective bargaining.
6. Practical steps to provide adequate hospitalization, medical care and old age retirement programs for workers and their families either through collective bargaining or through a legislative program jointly sponsored by labor and management.
7. Development of a joint tax proposal to Congress that will strengthen our efforts to keep our economy functioning on a full production, full employment and full consumption basis.
8. Establishment of a joint committee to explore means of translating technical progress into social progress. In the past the lag between these two has meant economic dislocation. In the atomic age it may be disastrous.

Would Remove Basic Reasons For Strikes

I believe that American labor and management have the energy and the intellectual capacity to solve the problems I have listed.

Certainly it would be a tragic mistake to believe that a better way out of our present difficulties is to look for a national scapegoat. Hitler tried that. The way out is not through hysterical editorials and headlines, the use of labor injunctions, the public castigation of labor or repressive labor legislation.

None of these can solve the strike problem as long as the basic reasons, which compel free men to strike, remain unsolved. The answer lies in positive constructive action which gets at the root causes of strikes and which solves them on an honest and fair basis.

The new year is one full of challenge and promise to both American labor and American management. Our tasks are difficult, but they are not impossible if all parties approach them with a resolution to work for the best interests of the whole community and the whole nation.

In 1947, with hard work, goodwill and intelligence we can win the peace we have come so close to losing.

U. S. China Air Pact

Nanking Associated Press advices under date of Dec. 20 stated:

"The United States and China today signed a commercial air transport agreement giving the United States pickup and discharge rights at Shanghai, Tientsin and Canton and China similar rights at Honolulu, San Francisco and New York. It conforms with the 1944 Chicago civil aviation code."

Colombian Envoy to U. S.

Gonzalo Restrepo Jaramillo has been announced as Colombia's new Ambassador to the United States, according to a dispatch on Dec. 18 from Bogota to the New York "Times", which added that former Ambassador Sanz de Santamaria has returned to be Minister of War.

Building Permit Rules: Loans Period Extended

In line with the decontrolled housing program recently announced by President Truman, Housing Expediter Frank R. Creedon, on Dec. 23, made public the new conditions under which permits will be issued for the construction of new houses and apartments. The regulations, made effective the following day, according to advices from Washington to the "Wall Street Journal" are:

1. Dwellings must be intended for year-round occupancy.
2. Total floor area may not exceed 1,500 square feet. This does not include basements, attics, open porches, terraces and garages. This would include most normally built two and three bedroom houses. For instance, a one-story house could have an overall size 35 feet by 40 feet and a two-story house could be built 20 feet by 35 feet and come under the limitation.
3. Only the number of fixtures normally used to equip one bathroom may be used.
4. Builders must hold dwellings for 60 days for sale to veterans and 30 days for rent to veterans.
5. Rent, for dwellings to be rented, may not be more than an average of $80 per month per unit, but charges for services up to $3 a room may be added to this ceiling."

Mr. Creedon said that the rent to be charged must be stated in the application for the permit and after approval by the Federal Housing Agency may be increased only if the builder is able to show increases in construction or operating costs. The "Wall Street Journal" advices also said:

"Mr. Creedon added that permits must be obtained for any alterations or repairs to homes if the cost exceeds $400. Additional rooms to be added to house veterans or members of the applicant's family may not cost more than $1,500 per person to be housed.

"Applications for permits may be made by either a veteran or non-veteran who wishes to build for his own occupancy or a builder who will give veterans preference in selling or renting.

"All HH priorities previously issued, Mr. Creedon said, will remain valid, but no new priorities will be issued. HH ratings are priorities granted for materials for permanent construction. He indicated part of the liberalizing of the non-housing limitation order might take the form of allowing building foundations and structural steel frames which would not affect housing. He also stated that allocation of five raw materials to producers of building materials probably would continue through the first quarter of 1947. These are steel, pig iron, phenolic resins, paper liner, and shop grade lumber.

"Houses built after Dec. 24 with priority aid will still be subject to the $10,000 sale ceiling and the $80 maximum monthly rent and inspection requirements which were in force when the priorities were issued."

At the same time announcement was made of the lengthening of the amortization period for FHA loans financing multiple housing projects. In future, according to the announcement, the average loan will mature in 32 years and 7 months instead of 27 years and 7 months, as at present; which will tend to reduce monthly carrying charges.

Observations

(Continued from page 5)

stention from his vetoing activities, was the recent appeasing pronouncement of Mr. Molotov's deputy, Mr. Andrei Vishinsky, to the Council of American-Soviet Friendship, citing Mr. Stalin's 1927 words to the effect that socialist and capitalist systems can exist side by side to their mutual benefit. And in mid-October Mr. Stalin himself expounded this peaceful philosophy by reporting his realization that capitalist England and the U. S. do not want to encircle the Soviet Union, and that capitalism and communism can co-exist.

Yet only last February Mr. Stalin broadcast to the world that "war is the inevitable result of monopoly capitalism"; and in recent weeks the same Mr. Vishinsky accused the United States of having made war profits through Russian blood. And there has been no definitive cessation of journalistic diatribes emanating from "Pravda," "Izvestia," "The New Times" and other Moscow press organs, accusing the Anglo-Saxon "reactionaries" of planning a war, both atomic-ally and via encirclement.

Recent Puzzling Moves

Moscow's recent deeds of an agreeable nature—including her complete turnabout in Iran— are just as unfathomable. Did Mr. Molotov back down in New York only because Mr. Byrnes adamantly convinced him that the alternative meant a real permanent rupture of Big Four relations, whereby Russia would be faced by a world-wide anti-Soviet bloc? Or—cynically viewed—was Moscow's change of disposition due to a cause as realistic as worsening of Russia's internal economy and her prospective need for cold, hard American cash? Or possibly is Moscow slyly trying to lay a foundation of complacency for the new American Congress, to stimulate it toward armament reduction, and toward general isolation from interference with Soviet expansion aims?

It is probably more effective to appraise the real position by accepting actions, rather than by scrutinizing either them or words. We must remember, as good lawyers quickly learn, that it is the law in *action* rather than in books, that counts. Here we see in the first place that Moscow has deliberately refused to honor important obligations to which she agreed during the war—as at Yalta. Then we have noted her altogether unique and disconcerting methods of negotiation for her evidently firm objectives, on which all her forensic artillery becomes trained. If her point cannot be readily won by a first approach, others are tried and hammered at again and again, with abandonment of the objective only coming when a real showdown makes it absolutely clear that the opposition positively will not yield further. Thus in making concessions at the closing Foreign Ministers' meetings, Mr. Molotov gave the impression that he had been keeping them up his sleeve all during the previous months for use in utimately closing the best deal possible.

A particularly aggravating Soviet technique is its habit of unconcernedly reopening a situation to whose settlement it previously had fully agreed—such action usually being carried on by two or more of their representatives. Small wonder that the Russians are regarded as using the UN merely as a platform for publicizing their propaganda.

We see the Soviet, alone of the Big Five, quite blandly remaining aloof from, and refusing to join, important direct and affiliated bodies of the organization. Among these are the International Monetary Fund and World Bank, the World Trade Organization, the Trusteeship Council and the International Refugee Organization.

Questions Still Open

In any event, it certainly cannot be doubted that Russia's basic aims have not vanished into thin air, nor has the desired extension of her spheres of influence been abandoned. Hence, her plans for domination of the Danube, the Adriatic, the Black and Aegean Seas, and the Mediterranean, have prompted all the controversy centered not only on the Danube itself, but on Trieste, Greece and the Dardanelles. The latter question will be crucially determined by the reconsideration of the Montreux Convention, which will be staged in the new year. This will cause a lineup of the U. S. and Britain backing up Turkish resistance to drastic territorial revision as demanded by Russia. Then there are the other "hot spots" consisting of Carinthia-and-Tito, Macedonia, Palestine and temporarily-quiescent Iran.

Spain is another area which harbors permanent trouble instigated by the Soviet through the right—derived from a last-minute General Assembly resolution—given the Security Council to take "adequate measures" if Spain does not establish a government which "derives its authority from the consent of the governed." Adlai Stevenson, the U. S. representative, finally voted therefor "in the interests of harmony," but with strong misgivings.

Each of these areas presents an issue on which the United States is not and cannot be neutral, but must display appeasement—the limits of which must be clearly defined and firmly held. There, and in Germany, such functioning by Mr. Byrnes in 1947 will determine America's and the world's peace.

NY Stock Exchange Welcomes New Year

Three orchestras played during the last hour and a half of trading on the New York Stock Exchange New Year's Eve, the principal group, that of Maurice Wolfsie and his 50-piece orchestra, in the gallery overlooking the main trading room, and two five-piece orchestras, under the direction of Edward E. Leoni, in the 11 Wall Street annex and bond room.

The gong signalizing the end of 1946 trading was rung by John A. Coleman, Chairman of the Board, who was escorted to the rostrum by Emil Schram, President, who joined the Chairman in extending New Year greetings to the membership.

Private Wire Between F. W. Fairman & Ward

CHICAGO, ILL.—Fred W. Fairman & Co., 208 South La Salle Street, members of the Chicago Stock Exchange, announce the installation of a direct private wire to Ward & Co., 120 Broadway, New York City.

N. Y. Curb Issues Booklet

A new booklet, entitled "The New York Curb Exchange—An International Securities Market" has been published by the Curb Exchange for distribution to visitors to its public gallery and for use in filling requests from educational institutions and the general public for information regarding the exchange.

Laidlaw & Co. Admits Four to Partnership

Four new general partners and one special partner will be admitted into the 104-year-old pri-

William E. Dugan W. W. Kouwenhoven

vate banking firm of Laidlaw & Co., 26 Broadway, New York City, on Jan. 2, 1947, it is announced. William W. Kouwenhoven, William E. Dugan, Paul E. Burdett and Henry B. Laidlaw will become general partners, and Mrs. Theresa N. McSweeney, a special partner, succeeding the late Henry McSweeney, who had been a special partner in the firm since 1925.

Laidlaw & Co., founded in 1842, are members of the American Bankers and New York State Bankers Associations, as well as the Investment Bankers Association, the New York Stock and other leading Exchanges.

Mr. Kouwenhoven has been with Laidlaw & Co. since 1917 except for 22 months in the U. S. Navy during World War I, and has been executive assistant to the partners for the past five years.

Mr. Dugan started his business career with the company in 1929 after graduating from the Wharton School of Finance & Commerce, University of Pennsylvania and has been head of the firm's Investment Research Department for the past five years.

Mr. Burdett, who started his banking career in 1937 with the Bank of New York, became associated with Laidlaw & Co. in the early part of this year. His father, Gilbert U. Burdett, is also a general partner in the firm. Mr. Laidlaw, son of Elliot C. R. Laidlaw, joined the staff in 1937, and after two years of war service, rejoined Laidlaw & Co. in 1945 as a security analyst.

Partnership changes were previously reported in the "Financial Chronicle" of Dec. 19.

Stewart to Succeed Bailey At F. R. Bank of St. Louis

Arthur F. Bailey, Vice-President of the Federal Reserve Bank of St. Louis and Manager of its Little Rock Branch, will retire April 30, 1947, in accordance with the retirement plan of the Federal Reserve Banks. Mr. Bailey has been with the branch since it opened on Jan. 6, 1919, serving as Cashier during the first few months and as Manager since then. He was formerly a commercial banker and a State Bank Examiner in Arkansas.

Clarence M. Stewart, Vice-President and Secretary of the parent bank, has been chosen to succeed Mr. Bailey. After seven years with a St. Louis commercial bank, Mr. Stewart entered the employ of the Federal Reserve Bank during its organization, and has served as Assistant Federal Reserve Agent, Secretary, Assistant Vice-President, Cashier, and Vice-President. He is a graduate of the Benton College of Law, St. Louis, and a former lecturer at the American Institute of Banking and the YMCA School. At present he is Chairman of the Board of Managers of the YMCA Downtown Branch.

The International Fund and Currency Parities

(Continued from page 11)

for the purpose of attaining this objective are threefold:

1. When the currency of a country is treatened by a temporary crisis, the Fund may financially assist that country in order to overcome it.
2. When, on the other hand, a permanent disequilibrium in the balance of payments compels a country to make a monetary adjustment, that country must consult the Fund prior to proceeding with such an adjustment.
3. Close contact may at any time be established by a member with the Fund. Insofar as the Fund is concerned, the latter may of its own accord communicate to a member its views on the economic and monetary situation of such member. It may refuse to lend its support to the latter in specific cases.

These provisions are couched in technical clauses which I do not intend to mention here. My only aim at this juncture is to recall, in general terms, the field of activities of the Fund in order to bring out the bearing of the decisions which the Fund has taken today.

* * *

The International Monetary Fund came into existence during a period which, to say the least, has been filled with uncertainties from a political, economic and social standpoint. These uncertainties have direct repercussions in the monetary field.

On the other hand the devastation caused and the privations brought on by the war have created an accumulation of requirements which resulted in a "seller's market," that today is still in existence. How long will it last? It is impossible to make any accurate forecast in this respect. But the fact that it is in existence makes it even more difficult to gain a clear picture of the present monetary situation. This "seller's market" prevents regular competition from taking its course. The majority of countries have their exports limited not by their price levels but by actual production and transport possibilities. In certain countries, a devaluation which, at other times, might appear as an easy solution of the monetary problem, would today have no effect other than to step up internal inflation without increasing exports.

To this should be added the fact that a number of countries find themselves faced by a quite abnormal situation brought about by enemy occupation or war operations. They have taken steps in the monetary and economic fields to revert to normalcy, but such a policy implies a gradual evolution, which is now taking place and which it would be unfair to crystalize at the present stage by fixing a par value based upon economic elements which are still undergoing rapid changes.

Would it have been better, considering this state of uncertainty, to postpone the initiation of transactions of the Fund either until such time as the world might have become politically or economically more stable, or until such time as the "seller's market" might give way to a "buyer's market"? That would have been equivalent to an indefinite postponement. The Fund did not consider it advisable as the very initiation of its transactions may contribute to a certain extent towards the gradual return of stability.

* * *

On the other hand, this situation makes it necessary for the Fund to be particularly precise in its statements and particularly cautious in its operations.

Three months ago, the Fund requested its members to communicate to it what they considered to be the par values of their currencies. Pursuant to the by-laws, the parities so communicated were automatically to become today the "initial par values" serving as a basis for the transactions of the Fund, provided that the latter did not, in the meantime, express disagreement with respect to the proposed figure.

After having studied the technical position of each member, the Fund has not expressed any disagreement and the par values have, therefore, been accepted.

Does this mean that the Fund considers all the par values published as having the same quality of stability? Certainly not.

Essentially it means two things, namely:

1. That under present conditions, regardless of its opinion concerning the strength or the vulnerability of any one currency, the Fund feels that it is not in a position to recommend today the selection of any new par value which would exactly correspond to the economic conditions of the countries concerned.
2. That, as of now, the Fund establishes contact with all its members; that it intends, in close liaison with them, to make a thorough study of their situation and to submit to them any recommendations which it deems necessary; and that these recommendations will cover both the measures to be taken with a view to avoiding monetary adjustments in specific cases, and the monetary adjustment which in other cases must be made as well as the policy which must be adopted in connection therewith.

In every case, it is, primarily, up to the country concerned to take the necessary steps. The Fund steps in as a helper and as an adviser.

If any of the members were not to act in accordance with the recommendations made by the Fund, the latter will at any time have the right to restrict, and if necessary, even completely to suspend access by such members to its resources.

This statement is intended to enlighten the public and to meet, among other opinions, two arguments which we have heard recently. Certain persons think that the Fund gives its authority to support all par values at present in force and that it undertakes to maintain them. Others say, "If the Fund does not do this, what does it do?"

The answer to be given to the people advancing the former argument is that in order to make a par value final, it would be necessary to impart the same final stability to the underlying political, economic and social organization, and this is unquestionably beyond the reach of the Fund. To the second argument, there is an easy answer too: the financial intervention of the Fund, the cooperation with and by it, the required consultation of the Fund for any monetary adjustment (a consultation which is designed to make such adjustment an "orderly" one and to avoid any purely competitive depreciation); and the sanctions which the Fund may take are by themselves, to a given extent, a guarantee for new order and stability.

One of the primary purposes of the Fund is the expansion of international trade, the promotion and maintenance of high levels of employment and the development of the productive resources of all members. The decision taken today is the first step on the road leading to the attainment of these objectives.

The Facts vs. the Nathan Report

(Continued from page 7)

2. Nathan's assumption that business will continue to earn at least that much profit from here on.

Nathan was on safe ground as a prophet. If someone tells you it is going to rain next Sunday you can't prove today that he is wrong. By basing his case upon his guess of what is *going to be*, Nathan automatically makes it impossible for anyone to show today that he is wrong.

But this much is provable. Nathan's record as a "guesser" is not such as to inspire confidence. For example: He is responsible for this "guess" on Aug. 15, 1945:[1] "Unemployment is expected to rise to 5,000,000 or more within three months; perhaps to 8,000,000 before next spring. . . ." Since maximum unemployment was 2,700,000 that is an error of almost 200%.

Even as late as October 1945, by which time it was clear to all independent observers that there would be no serious reconversion unemployment, Nathan was still responsible for saying:[2] ". . . High unemployment will persist through 1946."

On Oct. 29, 1945, in the notorious OWMR report on wages which was permitted to "leak out," and in which Nathan, because of his official position must have concurred, it was said: "The total decline in salaries and wages (in 1946) will . . . amount to between $30 and $35 billion." Actually, the decline has been only $5 billion so Nathan was wrong by a minimum of 500%.

In appraising the Nathan report, therefore, the first fact to remember is that it is based upon a Nathan guess. And, in the words of the New York "World Telegram," "As a prophet, he wasn't so hot."

And the second fact to remember is—Not only has Nathan proved himself to be a poor "prophet" but he demonstrates in this report that his statements and statistics must be appraised in the light of which case he is trying to prove. Here is proof:

On page 59 of his report Nathan gives the "Profits Before Taxes of All Corporations . . ." from 1929 through tomorrow. The last part of the table is as follows:

1942	21.0
1943	24.9
1944	24.0
1945—	
1st quarter	25.2
2nd quarter	24.8
3rd quarter	21.2
4th quarter	16.8
1946—	
*1st quarter	15.2
*2nd quarter	19.0
*3rd quarter	22.7
**4th quarter	24.8

*Preliminary. **Estimated

Now consider these facts: As Nathan presents this table the only figure listed as "estimated" is that for the fourth quarter of 1946. The facts are: The government has issued no final compilation on profits since 1943—everything since then has been merely an estimate; the last government *estimate* on profits was for 1945. In brief, a fair presentation would have noted:

1. That all profit figures since 1943 are mere estimates.
2. That the 1946 figures are not even an government estimate, but merely his own guesses, and,
3. That there is no difference between the figures for the first three quarters of 1946, which he calls "preliminary," and the last quarter, which he labels "estimated," because they are all nothing more than his own estimates.

That is bad enough, but look at this: As just shown, Nathan gives profits for 1945 and 1946 by quarters. If one adds up those quarterly figures he gets a total for 1945 of $88 billions and for 1946 of $81.7 billions. On page 61 figures are given, again by quarters, for profits after taxes. If these are added up they give a total of $36 billions for 1945 and $49 billions for 1946. On the basis of these figures business paid $52 billions (88 minus 36) in taxes in 1945, and will pay $32.7 billions (81.7 minus 49) this year. Obviously this is absurd. By Nathan's own figures from the same tables, it would mean that business taxes were quadrupled from 1944 to 1945. Everyone, including Nathan, knows there was no such increase.

Of course Nathan will try to explain away this absurdity by saying the quarterly figures are given "on an annual rate basis." But the fact is that there is not a single word in the table to indicate that the quarterly figures are not absolute amounts. Further, in the chart accompanying the table these quarterly figures are given as absolute figures—on the same scale as the absolute figures for the totals of earlier years.

Finally, at no point in the table is an aggregate figure given for these years, thereby protecting the reader from getting the wrong impression.

One may say Nathan's record of bad guessing is the result of poor judgment. One may say his method of presenting his figures is the result of oversight. But here is an example of presentation which cannot be explained away on either of these grounds.

On page 57 of his report Nathan presents a table purporting to show how far wages are "below the amount necessary to support a minimum standard of health and decency." The "minimum" figures Nathan uses are those of the Heller Committee of the University of California. Now here are some of the things Nathan does in connection with this committee's report:

Nathan cites the committee's figures as being the amount "necessary to support a minimum standard of health and decency." This is a basic misuse of the Heller Committee figures. That committee, according to its reports attempts to show, not the "minimum necessary," etc., but "habits of spending among families of the types specified, and, secondly, define the costs of living for these several groups."

Further, Nathan cites the Heller Committee figures as though they applied to the United States as a whole. Actually the figures refer solely to San Francisco.

Nathan points out that the Heller Committee figures apply to a family of four. But Nathan fails to point out that according to official figures only two out of every five families consist of as many as four persons.

Nathan takes the figures for a family of four in San Francisco and compares them with the average earnings of one worker and fails to point out that according to the 1940 census, one-third of our families have two or more workers.

It is not possible to explain away such misinterpretations as these by saying that they are accidental or incidental. This conclusion is supported by the further fact: In January 1946 the Bureau of Labor Statistics published a study showing the "break-even point" for a typical urban family. The BLS figures referred to 1944. If these figures are adjusted for the increase in the cost of living which has taken place since then, one gets a figure of $44.23 as the amount now necessary for a family to "break-even," granting only one earner in the family.

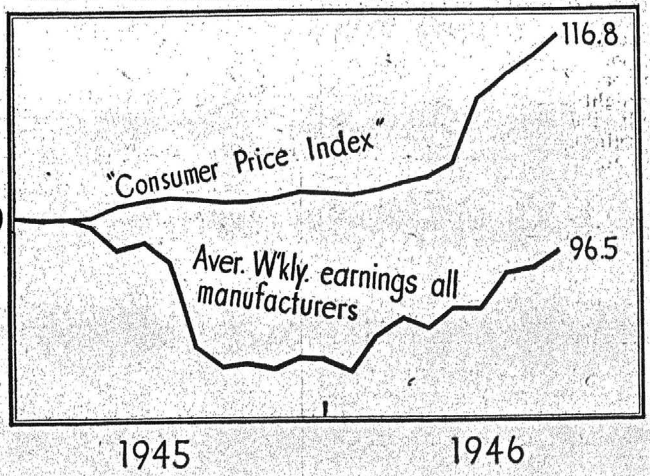
In manufacturing the average weekly earnings (Oct. 1946) are $45.83 as against the "break-even" figure of $44.23. These are all official figures. Nathan does not even mention them, for obvious reasons.

So much for a general appraisal of this report.

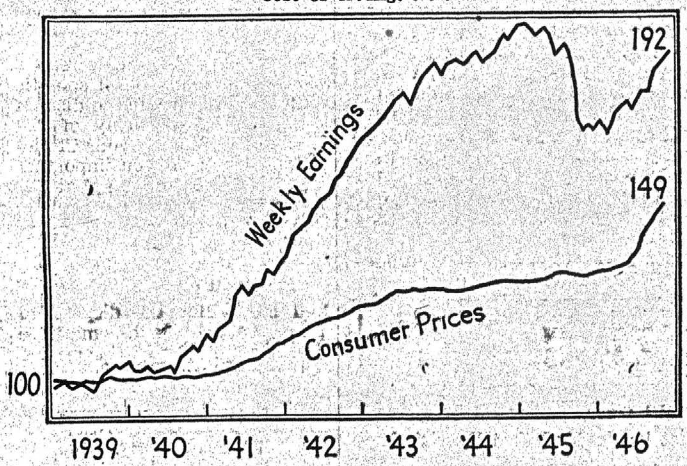
Now let's look at some of the details.

Nathan begins by purporting to show that prices have gone up much faster than wages. The figures he uses to prove this are for the period from January 1945 to date—January 1945 being the very month when weekly wages reached their peak. In this case such figures as Nathan gives are correct. But again they do not tell the whole story.

Here is what Nathan shows on wages and the cost of living.



This is what Nathan DOES NOT show about wages and the cost of living. . . .*



*Bureau of Labor Statistics.

In brief, Nathan uses as a basis for comparing the trend of wages and prices, *not a prewar period—or the end of the war—or any other period which would be logically defensible.* Nathan, in order to prove his point, picks that very month which will be best for his argument. A month which no one would select except to prove the story he wants to tell.

How important this selection of dates is to the Nathan conclusion is shown by these facts:

By the use of this selection he "proves" wages should be increased 21 to 23% to get wages back in line with prices. Had Nathan used 1939 as a basis of his calculation he would have had to say that *prices* could advance a further 29% before offsetting the increased wages (manufacturing) now being paid, which is the last thing anyone wants.

On wages Nathan makes a great show of giving details, giving a break-down of wages in different categories. He gives average hourly earnings and average weekly earnings for durable goods and non-durable goods, for cotton manufacturing, canning and preserving, slaughtering, petroleum and coal, wholesale trade, general merchandise, hotels, and so forth, and plays around with these figures by adjusting them for price changes, and so forth. Remembering this, now look at what he does on business profits:

On *profits* Nathan gives only over-all figures. Specifically, he only gives figures, and estimates for profits, both before and after taxes, for "all corporations" and for "manufacturing corporations."

Why, when he thinks it desirable to give details on wages, does Nathan give only over-all blanket figures on profits? There is an all-compelling reason from Nathan's viewpoint. It is this: If Nathan gave a breakdown of profit figures by industries, to say nothing of individual companies, his whole argument would be shown up as foolish. This is because such a breakdown would show an enormous disparity in the rate of profits as between different lines of business.

For example: Comparing actual profits of the first nine months of 1946 with the same period for 1945 we find a variation from plus 156% to minus 86%.*

*National City Bank, "Economic Conditions," Nov. 1946, p. 124.

Ind. Group		% Change
Trade	Up	156
Pulp & paper	Up	134
Miscellaneous Mfg.	Up	125
Cement, glass, stone	Up	52
Chemicals, drugs, etc	Up	49
Service	Up	46
Food Products	Up	44
Iron & steel	Up	43
Other metal products	Up	16
Mining, quarrying	Up	14
Machinery	Up	12
Petroleum products	Up	4
Electrical equip.	Down	70
Autos & equipment	Down	86

In the light of those facts, facts with which Nathan is familiar, it is nothing less than statistical nonsense to say, as Nathan does, that "corporate profits after taxes will support a 21-25% increase in wages."

But that is only half the story, half the economic absurdity of the Nathan presentation—Within each of these industries the profits of individual companies also vary by wide margins. For example:

In the chemical and drug industry, which shows an over-all increase of 49% for the first nine months of this year, the profits of individual companies vary from an increase of 257% to a decline of 22%; in the electrical equipment industry changes range from an increase of over 300% to a decline of more than 90%; of 30 machinery companies, 18 show an increase, 12 a decrease; of 46 auto and parts companies, 29 are down, 17 up.

None of these facts, except perhaps in their details, is news to Nathan. No one who makes a study of business profits could possibly miss them.

Clearly, it is sheer nonsense to talk, as Nathan does, about the ability of manufacturing as a whole to pay higher wages out of its profits. Manufacturing as such—or an industry as such—does not make profits. Only individual companies make profits, and hence whether wages can be increased without raising prices depends solely upon the position of an individual company, not upon the profits of the industry or manufacturing as a whole.

But let's suppose the Nathan theory was applied. This is a quotation from the St. Louis "Star-Times" (Editorial, Dec. 12, 1946):

"General Motors 345,940 employee pay roll last year was $1,007,563,689. An increase of 25% would amount to $251,890,922. The entire profit for the year was $188,268,115. A 25% increase in wages with no corresponding price increase would put this company $63,622,807 in the red."

"General Electric, in 1945, paid its 133,235 employees almost $400,000,000. An increase of 25% or $100,000,000 is exactly $43,459,445 more than the entire net profit of the company."

"International Shoe, paid its employees in 1945 $56,484,537 in wages. To add 25% to this would mean an additional $14,121,134. Net profit for the year was $5,568,720, which would have made it operate at a loss of exactly $8,552,414."

In each of these three cases just cited the figures given are for 1945 and so do not necessarily reflect the present situation in these particular companies. But none the less these examples reveal one fundamental fact—a fact which everyone knows. This fact is that when there is a general wage increase without a corresponding increase of productivity per man-hour of work, prices also must go up. Even Nathan knows this, and before starting to work for the CIO, he freely admitted it.

In 1944 Nathan said: ". . . History reveals that prices increase when labor costs increase. It is then suggested that prices be arbitrarily held down while wages are arbitrarily raised. This is a most difficult administrative task and one which can disrupt competitive forces, with unfortunate consequences." ("Mobilizing for Abundance," by Robert Nathan, Whittlesey House, p. 86.)

One final example of how Nathan ignores those facts which do not fit into what he wants to prove:

On page 14 of his Report Nathan says: "There is no evidence to date to indicate that business will cut prices prior to a depression. . ." What does Nathan consider "evidence"? Look at these facts:

Here are examples of price declines as revealed by spot checks in leading cities, declines that have taken place in the past few

1 Report of Reconversion Director. Nathan, because of his official position at the time, has been generally credited with authorship of the report.

2 Fourth OWMR report, p. 4. This is another report credited to Nathan.

weeks. ("Wall Street Journal," Dec. 19, 1946):

Men's wool robes	Down 35%
Ladies' handbags	Down 65%
Boys' suits	Down 35%
Studio couches	Down 38%
Gas heaters	Down 32%
Lamps	Down 20 to 50%
Glassware	Down 10 to 40%
Fur coats	Down 15 to 48%
Furniture	Down 20 to 50%
Mahagony tables	Down 10 to 40%
Toys	Down 10 to 64%
Tricycles	Down 28 to 47%
Housewares	Down 20 to 50%
Cigarette cases	Down 10 to 40%
Rugs	Down 20 to 50%
Sport shirts	Down 17%
Women's sweaters	Down 25%
Wallets	Down 34%
Leather jackets	Down 28%
Rayon print dresses	Down 24%
Pajamas	Down 40%
Plastic dresser sets	Down 50%
Crib blankets	Down 25%
Costume jewelry	Down 50%
Diamonds	Down 20%
Cotton house dresses	Down 47%

Nathan should know those facts. He should know that in commodity after commodity competition is beginning to operate, which inevitably means the end of the upward swing of prices. He should know that today, in market after market, buyer resistance is forcing prices to crack. He should know that the worry today among the market experts is not whether prices are going higher but how long the present levels will hold.

Yes, Nathan must know these facts. He cannot help but know them. But he ignores these facts in order to "prove" his case. Just as he omits every fact which is contrary to his thesis. Just as he arbitrarily selects those dates which are best for his special pleading. Just as he picks estimates out of the air and presents them as facts. Just as he deliberately makes comparisons which do not square with the actual facts.

Such, in brief, is the statistical basis of the so-called Nathan Report. It is true, as everyone knows, that prices in this country today are high. It is also true, as everyone knows, that profits of many companies today are high. And finally, it is true, as everyone knows, that millions of persons, especially white-collar workers are finding it increasingly difficult to make ends meet.

The Nathan program, if adopted, would aggravate, not correct, this stiuation for tens of millions of persons. To the extent that any company has profits out of which it might pay higher wages, to exactly the same extent it has a margin by which it can reduce prices. If prices are reduced everyone, including labor, will benefit. If prices are held and wages are increased, everyone suffers except the relatively few workers getting the raise.

Here, then, in a word, are the alternatives which today face the American public:

1. Hold wages steady and thereby keep the way open for competition and buyer resistance to hold prices to proper levels.
2. Give another round of wage increases and thereby force prices still higher, higher, as shown by the experience earlier this year, by just about the amount of the wage increase.

As between these two alternatives the choice is clear.

The Nathan report is an attempt to fool the public into choosing the alternative of higher wages, which means higher prices. That, obviously, cannot be in the public interest. Only the first alternative, keeping the way open for lower prices can serve the public.

That, we believe, is the proper policy for America today.

Expansion of U. S. Conciliation Service

(Continued from page 13)

sibility for settling their differences without interfering with the nation's welfare or disrupting the lives of their neighbors. No inflexible order, no Government directive, no red tape can now be blamed as the cause of work stoppages. Now the full responsibility for keeping the wheels of industry turning rests with the men of management and the men in the shops—the men whom you represent in this community.

The members of our national Labor - Management Advisory Committee are in full accord on this point. They have accepted the responsibility without qualification. At the same time, they have worked out a program with which the Government, through the United States Conciliation Service, can aid negotiations between employers and unions where such assistance is desired.

Four Special Methods of Mediation

Our national advisors have recommended and we now are completing work on the development of four special methods of mediation.

We soon will announce the names of 24 special conciliators, men of outstanding ability and special talents, who have agreed to be available on call to mediate special disputes.

We are prepared to furnish labor and management advisors to aid our conciliators in specific disputes whenever it appears that tripartite mediation will aid in securing a settlement.

We will have available for assignment 200 arbitrators who have been screened and cleared for competence and impartiality by our regional Labor-Management Advisory Committees.

We are ready to set up Emergency Boards of Inquiry to conduct formal hearings and to make recommendations for settling any dispute that affects the community or the national welfare. However, such boards will be used only with the joint consent of both union and employer.

These are the tools which, with our regular conciliation machinery, are available for the use of management and labor in working out their own agreements.

On Dec. 9, with the complete backing of our advisory committee, we began the work of further strengthening the machinery for maintaining peaceful industrial relations. On that day, we invited to Washington the representatives of the utility industries, management and labor. The men who attended our conference, national leaders on both sides, accepted their responsibility to the communities which they serve. They are now working out details of specific programs to insure peace in their industries.

Finally, in the public interest, we have called you together in joint assembly of labor and management. We have asked you to serve with us for a year, to help make collective bargaining work more smoothly, with fewer interruptions of production. We don't expect perfection. No free society is ever perfectly ordered. We do believe that you can help us reduce the number and the length of the stoppages in this area.

This is not the first time that local groups have been asked to mediate disputes. The first such project in recent years began right here in Philadelphia in 1933 under the auspices of the old National Labor Board. The Philadelphia idea was carried to Toledo through the efforts of Edward McGrady, then Assistant Secretary of Labor, where it has become well known as the "Toledo Plan." More recently Louisville has undertaken a similar enterprise.

Career Conciliators

We have studied these plans and have picked the chief sources of strength in each. To this we have added the Conciliation Service and its staff of career conciliators. We are not confined to the boundaries of a single city or a single state. Your Assembly will operate over a territory embracing a unified industrial area. It includes Southern New Jersey, Eastern Pennsylvania, Delaware and most of Maryland.

The keynote of all our mediation efforts is flexibility and we hope this Assembly will operate as flexibly as is humanly possible. I have no rigid pattern to impose on you, but I would like to outline the initial activities of this Assembly as we expect them to develop.

First, I am asking you to accept responsibility for reviewing the work of our Philadelphia Branch Office both for the effectiveness of its mediation efforts and for the impartiality of our conciliators. Director Manno, who is one of our ablest men, will furnish you monthly with complete reports on the activities of his office.

Second, you will be asked to assist in the mediation of specific disputes which threaten to disrupt the life or the economy of the area. Director Manno, your Chairman, will bring to you important disputes when it appears that our normal conciliation efforts are failing to bring peaceful settlement. You will never be asked to sit in judgment on the merits of these disputes.

You may refer the dispute to a peace panel, a sub-committee of your own group with an equal number of labor and management representatives. This panel will hear the report of the conciliator and the arguments of the union and the employer. Thereafter, it will attempt to mediate. It will not, however, make any findings or public recommendations.

In disputes vital to the public safety, especially utility disputes, you may recommend that the parties consent to presenting their arguments to an Emergency Board of Inquiry which will make recommendations on the evidence presented.

You may refer the dispute to one of our Special Conciliators whom you believe is particularly suited by background or talent to continue the mediation efforts.

Or, you may recommend that the parties agree to voluntary arbitration. I don't expect that this group or any panel of its members will ever, themselves, be used to arbitrate a dispute.

As this Assembly begins to function, I know that you will be able to suggest other ways in which it can be useful as a mediating agent. But, whatever you do, remember that your only power is the power of persuasion. That is the only power the Government can use at the bargaining table if we are to maintain our policy of free collective bargaining.

Goldman & Co. to Be Formed; NYSE Firm

Goldman & Co., members of the New York Stock Exchange, with offices at 115 Broadway, New York City, will be formed effective Feb. 1. Partners will be Robert J. Goldman, Louis H. Goldman, member of the Exchange and William Siegel. R. J. Goldman and Mr. Seigel have been partners in James M. Leopold & Co., which will be dissolved on Jan. 31.

World Bank Outlook Causing Congressional Dissatisfaction

(Continued from page 11)

original agreement, and remove them, in order that capable men from the President down will come to the bank and get it under way.

"Lately great difficulty has been experienced in obtaining and holding a President of real capacity. Upon further understanding of the Bank Agreement capable men have been running away from what should seem a tempting offer. They don't want to become a mere figurehead under the directors who hold the Bank's actual power. This setup is all out of harmony with the way in which great corporations function in the U. S. A. Recent World Bank developments are stigmatizing the efforts of the U. S. A. in matters of international cooperation."

Chairman Spence's Comment

Asked for his opinion on the World Bank, Representative Brent Spence of Kentucky, Chairman of the House Banking and Currency Committee of the expiring Congress, stated to the writer: "I am unfamiliar with what is behind the resignation of Eugene Meyer or with the innerworkings of the Bank, but if something is wrong I have no objection to reviewing the Articles of Agreement in the light of experience."

Will Insist on an American President

Among non-Americans discussed in World Bank circles for President, the British wanted to advance the name of a Canadian other than Graham Towers. However, they were deterred by the fact that very soon after the official announcement that Eugene Meyer would resign shortly, Undersecretary of State William Clayton appeared personally before the Bank's Executive Directors to say that the U. S. A. felt the post should go to an American. Mr. Clayton argued that at the Savannah Governors' Meeting last March an understanding was reached that a European would head the Fund and that therefore an American should head the Bank. Mr. Clayton further said that the United States Government feels that the executive directors should elect an American nominee.

Some executive directors, reportedly including the British and also Mr. Machado, who represents various Latin American countries, are said to have reacted unfavorably, although not necessarily vocally, to this direct intervention in the Bank's affairs—for which Clayton conceivably may not be personally responsible.

Many here are still expressing mystification concerning the resignations of Mr. Meyer and Mr. Harold Smith. If Mr. Meyer at the beginning really intended to stay only six months, they are asking why Mr. Smith accepted the Vice-Presidency at all.

If the next World Bank President should lack Meyer's banking experience, he will need a Vice-President who has such background, and this Smith does not have. In any case, Smith's resignation means what it says, and he is not expected to remain long after Mr. Meyer's successor takes over.

Meyer took the post in the spirit of public service. It is reliably reported that he had not carefully read the Bank's articles of agreement before taking the job, perhaps assuming that the President of the World Bank was comparable to the President of a commercial American bank. To say the least, this is not exactly the case.

Wants International Trade on Multilateral, Non-Discriminatory Basis

(Continued from page 14)

struction and development require.

In dealing with trade restrictions during reciprocal trade agreement negotiations, American negotiators were urged by the Council to be guided by the following considerations:

1. All excessive and unnecessary tariff duties should be eliminated, and tariff rates of all countries should be reduced to the point necessary to encourage the widest possible expansion in the exchange of goods among nations.
2. Preferential tariff arrangements should be abolished.
3. Except for health, sanitary and similar reasons of public policy, all prohibitions and quantitative restrictions on imports should be removed at the earliest possible date. As to import restrictions imposed for sanitary reasons, alleged sanitary measures should not be utilized to give unwarranted protection.
4. As a general principle, all prohibitions and quantitative restrictions on exports should be removed. Export subsidies and bounties should not be employed.
5. Exchange controls should be eliminated at the earliest practicable moment.
6. In negotiations with countries engaged in state-trading or maintaining government monopolies in the trade of particular products, endeavor should be made to secure agreement on clearly defined principles to govern the trading methods of state-trading vis-a-vis the private enterprise system. Such principles, set forth in the brief, would place certain fair restraints on the vast buying and selling powers implicit in state-trading, in return for which lowest rates of duty and most-favored-nation treatment would be accorded the state-trading countries.
7. Practices which constitute dumping in international trade should be defined and prohibited.
8. Antiquated and burdensome customs regulations, with respect to which United States customs laws and regulations are among the worst offenders, should be relaxed or removed.
9. Effective safeguards should be extended to the property and other interests of nationals of each country in the territories of other countries.

The Council recommended that if it is not feasible to incorporate some of these conditions in reciprocal trade agreements, then commitments should be obtained at the time of negotiation of reciprocal trade agreements that other nations will enter into other types of agreements with this country or take other necessary action to secure the establishment of such conditions.

Sees "War Honeymoon" Approaching End

(Continued from page 13)

ness. The same argument was used last summer as a reason why the market was headed for higher levels. But since that time the market has declined by about 20%.

The key to the money supply may be found in the distribution of savings and in the attitude of the holders. In a sample survey conducted by the Bureau of Agricultural Economics for the Federal Reserve Board it was found that the liquid savings of the country were highly concentrated in strong hands. The top 30% of the families hold 87% of the total liquid assets, and the members of this group are not likely to use their savings for non-urgent purchases if they believe that there are prospects of lower prices. The bottom 40% of the families hold only about 1% of the total liquid assets, and average about $40 savings per family. Moreover, a large part of the savings in the lowest income groups is being absorbed by increased living costs, and it will be necessary for them to borrow in order to satisfy wants above those to be met out of current income. But mass buying is sensitive to important price changes.

In the 1919-20 period, the large money supply and backlog demand were given as reasons for the continuation of good times for an indefinite period. Despite the rise of 92% in combined total deposits and money in circulation from June, 1915, to June, 1920, and the great deferred demand for automobiles and building which found materialization in later years, there was a decline, from the peak, of 47% in the stock market, of 45% in commodity prices, and of 33% in industrial production between 1920 and 1921. It is not intimated that the exact pattern which followed the first World War will be repeated, but it is merely emphasized that the presence of a huge money supply and a heavy pent-up demand cannot be relied upon as a bulwark against a recession. It is true that if there were mass fear of currency inflation the huge savings would be spent regardless of prices as people would rush to convert their money into things. But there are no signs that these conditions now prevail.

Should we have a period relatively free from strikes, with labor productivity on the increase, business confidence restored, and the economic machine running so smoothly that the slackening in non-durables would be absorbed by the expansion in the durables, we might be able to ride out the period without any shake-down. But it would not at this juncture appear prudent to make plans on the assumption of such a series of favorable developments.

Timing of the Decline

An attempt to time a major turn in business is hazardous because of the many cross currents, but there are some indicators that may serve as a guide. Following the expected record-breaking Christmas sales, it is possible that there may be a lull in buying, with consumers' resistance becoming more pronounced. Most of the nondurable lines have been enjoying an unprecedented boom but the peak has been passed and a slackening in sales is indicated. It is reported that strikes for increased wages are scheduled during the first and second quarters of 1947. But the most important single factor is the expected slump in agricultural commodity prices, which may come during the second or third quarter of next year. While the Government has a floor under the prices of major farm products, it is estimated that prices could decline about 25% before hitting this level, and the lowering of the level of prices of goods purchased by farmers would cause the parity price to decline still further.

Since farm commodity prices constitute an important element in the consumer cost of living, particularly of food, as well as of basic raw materials, the decline will be reflected in the entire price structure.

A decline in commodity prices imposes restraint upon buyers, who would have a tendency to hold back in anticipation of still lower prices. On the other hand, sellers would become anxious to dispose of their products before prices went lower. The combined action of buyers and sellers has a tendency to accelerate the downward movement until some resistance level is reached. Should we have a combination of depressive factors converging at about the same time, a readjustment period would surely follow.

Finally, in considering the timing of a possible recession, it should be borne in mind that the business situation is vulnerable, and any one or a combination of several factors could touch it off. Most authorities are still mystified as to what caused the slump in the stock market last fall. The 1920 decline in business was heralded by the collapse of the Japanese boom and the Wanamaker announcement of a 20% price reduction across the board. The decline in 1937-38 followed the announcement by President Roosevelt that durable goods prices were too high, and this was reinforced by deflationary fiscal policies. The point is that the initial impulse that may precipitate a setback may come without much warning and from unexpected sources.

Extent of Decline

There are no prospects of a depression comparable to that which began in 1929, because the business pattern is entirely different. In that period, business had exhausted the pent-up demand inherited from the first World War and was riding along on borrowed money.

The situation in many respects is quite similar to that at the end of the first World War. But there are significant differences. There is now much less credit strain. Corporate and individual savings are considerably larger. The accumulated backlog of demand is greater because our participation in the war extended over a longer period. Non-agricultural prices have experienced much less of an advance as compared to the first World War. While prices of farm commodities have had a sharper rise than during the first World War, the farmers as a group are in a stronger financial position, with the mortgage debt about one half as large as the peak in 1923, and liquid savings considerably larger, although highly concentrated. Furthermore, the Government is committed to support farm prices at around 90% of parity until two years after the official ending of the war. In addition, unemployment compensation and other relief will be provided, whereas after the first World War the official disposition of the Government was to let nature take its course. So prospects are that any decline in industrial production will not be so severe as the one we had a quarter of a century ago.

There are no scientific methods that can be relied upon to determine the extent of a possible decline in business activity, as there is no way of measuring the influences of the many forces, including mass psychology, that contribute toward shaping the business pattern.

But it is evident that 1947 will be a critical year, with outlook obscured by uncertainties. Powerful forces could carry the trend upward beyond logical limits. So likewise, it is possible that a combination of unfavorable factors could cause more of a business decline than seems warranted by the fundamental forces.

Long-Term Outlook

In view of the distorted and bloated condition of our economy, it is essential that corrections be made in order that business may proceed on a sound basis. Consequently, prudence would dictate the adoption of a conservative course and the adjusting of policies to meet the keen competitive conditions that will henceforth prevail.

Following an adjustment period that would bring about a better balance in our economy, prospects are that we may look forward to a period of prosperity which, with minor interruptions, may continue for several years. But unless sound policies are followed and restraints exercised over speculative excesses, there is grave danger that at some stage, after the deferred requirements have been met, attempts will be made to keep our economy operating at unwarranted high levels by the expansion of domestic credit and the extension of foreign loans. Should this be the case, then we might sometime in the future face a period of critical readjustment, because of the burdens of the staggering Federal debt and other high and inflexible items of the budget, that would be the acid test of our democratic form of Government and private enterprise. It behooves us, therefore, to be keenly aware of the hazards that lie ahead and to formulate plans and policies to keep the various activities of our economy within reasonable bounds, for it is obviously too late to make corrections after a major depression is upon us.

The Threat of Another Wage-Price Spiral

Organized labor is campaigning to win public support for another substantial wage boost, which it maintains can be granted without a consequent price rise. The proposal is unsound, untenable, unfair and untimely.

It Is Unsound

The labor demand is based on the Nathan report that business enterprise as a whole could advance wages 25% without any advance in prices. This proposal is based on false premises. It assumes a collectivist economy, with all profits flowing into a common reservoir that can be drawn upon for extra employee compensation whenever there is a surplus inflow. Instead, there are about three million different firms covering innumerable types of activities, with a wide range of profits. Over the past decade and one half the number of corporations that did not report any net income during each of the years in the period ranged from 33% in the peak war year 1943 to 73% at the low point of the depression. The average net return on capital invested for all the corporations during the 15-year period was only about 3%. The facts are that some firms have made large profits, others moderate gains, and a substantial number have merely broken even or suffered losses. Consequently, it is meaningless to speak of an over-all average of profits for business enterprise. Furthermore, as wages directly and indirectly constitute about 90% of all costs, higher prices are inescapable, unless offset by increased productivity, which has not been the case.

It Is Untenable

The Nathan report contends that the only way to expand purchasing power is to raise wages but not prices, and it maintains that this can be done because of the estimated "staggering" profits. It was this same authority that made a similar proposal at the end of the war. At that time it was held that the automobile industry could give a 30% wage increase without an advance in the price of cars. After a long strike, a substantial increase was granted by the industry but the consequent costs were so great that the OPA permitted an increase in prices. Despite this and other price increases, the industry sustained a net loss of more than $5 million for the first nine months of this year, while the boost in car prices has caused a substantial decline in the potential market for automobiles. Not only were huge profits predicted for the automobile industry in 1946, but also, disregarding inconsistencies, warnings were made at about the same time that there would be eight million unemployed before spring of this year, whereas there was actually a labor shortage.

In view of the past record of prognostications, it is not likely that the public will take seriously the Nathan forecast that corporate profits next year will be around the war peak of 1943, when production was 36% larger than at present and the Government was the principal customer, with costs of secondary importance. We are told in effect that the boom will get bigger and better in the face of the passing of the sellers' market.

It Is Unfair

In order to get public support, organized labor is ostensibly campaigning for a substantial increase in compensation for all employees but, as is evident, this is impossible without wrecking private enterprise. In consequence, the unions will proceed to make substantial increased wage demands for their own members. This is most unfair as the second round of wage increases would go to the same groups that received the first round.

On the other hand, many millions of persons have received no increase in income since V-J Day, and a further increase in the wage-price spiral would cause an acute squeeze on a large portion of our population, particularly those with fixed incomes. Moreover, farm income for 1947, according to estimates made by the United States Department of Agriculture, will be substantially less than this year.

Should the unions skim the cream of profits during every temporary lush period, there would be no prospects for business enterprise to build up a reserve for a rainy day or to provide the funds for expansion and research that make possible the lowering of prices, and by thus broadening the market create jobs and provide for higher living standards.

It Is Most Untimely

To make demands for extravagant wage increases at this stage when there are indications of being at or near the crest of the boom is most untimely since such a procedure would aggravate distortions in purchasing power among the various groups and might well precipitate a business recession, with its attendant heavy unemployment. The situation calls for a downward rather than an unward revision of prices. It would best serve the cause of the workers and all other consumers if the unions used their persuasive powers to induce business concerns with unusually high profits to lower prices of their products and thus increase real wages. Moreover, it is highly probable that within the course of the next six months, food and clothing, which constitute about 55% of the family budget, will be priced downward and thus relieve the strain of the high cost of living, which is the basis of the claim for higher wages.

Conclusion

The public should not give support to any organization that through false propaganda attempts to grab more than its fair share of industrial gains at the expense of the rest of the community. The road to industrial peace and higher living standards does not lie in arbitrary and exorbitant demands by special interests, whether labor or management, but in cooperation for increased productivity, which is the source of greater wage payments and higher income for business as well as revenue for the Government.

New York Stock Exchange Weekly Firm Changes

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

John M. Marston, Cleveland, limited partner in Ball, Burge & Kraus, became a general partner, effective January 1.

George Bader retired from partnership in Brady & Garvin December 31.

Transfer of the Exchange membership of George F. Brennan to James C. Gilheany will be considered by the Exchange on January 2. Mr. Gilheany will continue as a partner of Bull, Holden & Co.

Colvin & Bailey dissolved on December 21.

Kenneth Boardman, member of the Exchange, and a general partner in Carlisle & Jacquelin, became both a general and limited partner on January 1.

Fairman R. Dick, general partner in Dick & Merle Smith, became a limited partner effective January 1, on which date Trowbridge Callaway, limited partner, became a general partner.

Interest of the late John H. Feckenstein in Foster & Adams ceased on December 31.

George Draper withdrew from partnership in Draper, Sears & Co. on December 31.

David Feldman retired from limited partnership in W. D. Gradison & Co. on December 31.

Percy W. Brown of Cleveland, general partner in Hornblower & Weeks, became both a general and limited partner on January 1.

Jerome Baumann and Milton Roth retired from partnership in Jacobs & Low December 31.

Interest of the late Edward Roesler and the late Henry McSweeney in Laidlaw & Co. ceased as of December 31.

Transfer of the Exchange membership of the late E. Sanford Hatch to Robert S. Byfield will be considered by the Exchange on January 9. Mr. Byfield will continue as a partner in Lewisohn & Co.

A. F. Egelhoff retired from partnership in C. B. Richard & Co., December 31.

Robinson & Co. dissolved effective December 31.

Amelia Viner, general partner in Edward A. Viner & Co., becomes a limited partner effective January 2.

William Sheffield Cowles, limited partner in Wood, Walker & Co., became a general partner on January 1.

Ethridge on Greek Mission

Mark F. Ethridge, publisher of the "Courier Journal" of Louisville, Ky., has been appointed American representative on the United Nations Commission to investigate alleged Greek border violations, according to advices from Washington from the Associated Press on Dec. 21. Mr. Ethridge, who at one time investigated political conditions in Yugoslavia, Bulgaria and Romania at the request of Secretary of State Byrnes, is to have two or three technical assistants, not as yet named.

Trade Agreements Program Believed in No Danger

(Continued from page 8)
amend it so as to cripple the program and prevent the projected negotiations with 18 major trading countries in April.

"But here are a few of the facts: "No statement opposed to the program has been made since the election by a Congressman or Senator who has not always been a vigorous opponent of the trade agreements program. There is nothing new, in other words, in attacks on the program by Senator Knutson, Senator Butler, or Congressman Gearhart. It is noticeable that no newly elected Congressman or Senator has publicly expressed his views on the subject. Therefore, none of the public pronouncements which have yet been made by opposition Congressmen or Senators are any indication as to the tenor of the new Congress.

Opposition Not a Republican Plank

"There are positive reasons for believing that opposition to the trade agreements program will not be a Republican plank. Both Dewey and Stassen have come out in favor of the trade agreements program in the past. And, although a majority of the Republicans in Congress voted against the extension of the Trade Agreements Act in 1945, this was before bipartisan support of our foreign policy had reached its present stage of development.

"Furthermore, it is quite likely that many Republicans voted against the program in the confident knowledge that they would be in a minority. With the responsibility of a majority, their actions may be very different. In any event, the votes of Republicans who have opposed the program in the past would not be sufficient to pass a repealer or crippling amendment unless they were backed by all of the newly elected Republicans.

"The papers have carried many articles indicating opposition by one industry or another to reductions in our tariffs on particular commodities. Naturally, these many articles are likely to be interpreted as a spontaneous uprising against reciprocal trade agreements. Actually, they are the simple and inevitable result of the fact that the Committee for Reciprocity Information is holding public hearings on the tariff negotiations in January and that businesses or organizations which wish to appear at those hearings have been required to submit briefs within the past few weeks. When these briefs "protest" against a reduction in a tariff, they necessarily do so in vigorous language which can often be read as opposition to the entire trade agreements program, though this is very often far from the truth.

"Since many of those submitting briefs also sent them to the newspapers, a spurious impression of uprising against the program is created. The same thing has happened before in all major trade agreement negotiations in the past. Government officials who have been receiving the briefs say that those which oppose tariff reductions do so with no greater vigor than in the past; that there is more interest shown than usual in obtaining positive export benefits from the negotiations; and that the volume of briefs is no larger than those which were submitted before the negotiations with the United Kingdom alone.

Misinterpretation of the Southern States' Position

"One story which received unusual attention by the press was the statement against trade agreements program made by the agricultural commissioners of a number of sourthern states. This was widely interpreted as an indication of a revolutionary shift from the traditional low tariff attitude of the South. It was no such thing. The same commissioners have opposed the trade agreements program for many years and have appeared not only in opposition to specific tariff reductions in the past but also in opposition to the legislation itself. There is no indication that they are any more representative of southern opinion today than they were in the early days of the trade agreements program.

"Undoubtedly the hearings before the Committee for Reciprocity Information will create further headlines of the same kind. But if these headlines are interpreted as indicating a political reaction against the Administration's program for the lowering of trade barriers at home and abroad, they will have proven very misleading. As a rule, consumers and other groups who favor the trade agreements program do not appear at these hearings to testify with regard to individual products. But their active support of the legislation in the past is a good indication that they would be heard from if any effort were made to repeal it."

Senator Butler Explains His Objections to Under-Secretary Clayton

The following letter was written on this subject to Under-Secretary of State William L. Clayton on Dec. 19 by Senator Hugh Butler (Republican of Nebraska):—

Hon. William L. Clayton
Assistant Secretary of State
State Department
Washington, D.C.

Dear Mr. Clayton:

Reference is made to the recent announcement of intention to negotiate Trade Agreements with 18 foreign countries. I am writing to urge that these negotiations be temporarily suspended until the new Congress shall have an opportunity to write a new foreign trade policy. This announcement apparently indicates an intention to continue with the present tariff-reduction program, despite the repudiation of this Administration by the voters. Such an intention is amazing to me.

The Trade Agreements Program in its present form is a lame-duck policy. The attempt to use the authority of the Trade Agreements Act, previously wrested from a Democratic Congress, to destroy our system of tariff protection, seems to me a direct affront to the popular will expressed last month.

The list of products on which tariff reductions may be made during these negotiations covers 56 pages, and appears to include at least three-fourths of our total import trade. On the list are dozens of items in which the people of my state are vitally interested. Among them are cattle, hogs, and meat; cheese, butter, and other dairy products; wheat, and other grains; wool; and a long list of fruits and vegetables. In a tremendous number of cases, tariff reductions of 40 or 50% have already been made in the past 12 years. Apparently you propose to further reduce the rates even on these items by some substantial amount, up to 50% of what protection is left.

Reductions already made under the Trade Agreements Program have reduced the protection to approximately half of our producers benefited by tariffs, and such reductions have averaged 30 to 40%. In other words, your program to date has constituted a substantial revision of our system of protection, as far-reaching as was the Tariff Act of 1930. The announcement of the new proposed treaties leads me to believe that a second sweeping downward revision of our tariff system is planned.

My views are in accord with the ostensible program of the Trade Agreements Act, that our foreign trade should be expanded by securing advantageous concessions from foreign nations, without doing substantial injury to domestic agriculture and industry. The conduct of the program to date, however, has not been in accord with this pretended goal. On the contrary, it appears that the program is being used as a cloak in an attempt to commit this country to a policy of very low tariffs. On the other hand, supposedly valuable concessions secured from foreign countries have been nullified by blocked exchanges, "pool-buying," and various other devices. There is nothing to indicate that renewed negotiation on the present basis will reverse this trend.

It is for these reasons that I protest your apparent decision to continue with this program, when the American people have just spoken so emphatically in the reverse direction. Cooperation between the Democratic Administration and the Republican Congress in the interests of the national welfare will be difficult at best. A determination on your part to proceed with this program, in defiance of the wishes of the people, will make it almost impossible.

Your comments on any changes in your plans with respect to this program, in view of the change in the control of Congress, will be awaited with interest.

Yours very truly,
HUGH BUTLER, U.S.S.

Rep. Crawford Says Butler Reflects "Talk and Talk"

When asked, appropos of Senator Butler's statement, for his opinion as to what the next Congress will do on trade agreements, Rep. Fred L. Crawford (R.-Mich.) commented to the writer: "Congress will talk and talk about this matter, that's all. The reciprocal trade agreement is imbedded in everything that has been done in Washington since 1934. Secondly, numerous agreements are in effect and the next Congress cannot do anything about them. Thirdly, Congress last Summer by an overwhelming vote extended the trade agreements powers for three years; and there are not the votes in House or Senate to cancel that Act.

"The trade agreements program is tied in with the Atlantic Charter, Lend Lease, Bretton Woods, the British loan, etc.; it's in the air and in the minds of the people. Moreover, if we take a restrictive view of imports, we'll be making sure that we won't get repaid on the loans we have made abroad. If we do not want repayment, we should discontinue making such foreign loans."

The December 21 NAM news reports that the World Bank has abandoned plans to float all securities in the United States and is belatedly investigating the possibilities of a truly international flotation in New York, London, Paris, Ottawa and Amsterdam. Reasons cited by NAM are rising investor resistance in the United States and inflationary disadvantages to this country of floating $7 billion of such securities here. The NAM news states that Britain has refused point blank to permit such marketing in its market.

Asked by this correspondent for comment on the foregoing, a spokesman of the Bank said that the institution never has had a plan to float all its securities here, but only its original securities, and this still is the plan. The plan. "The British Government never has been approached by the World Bank on the matter of flotation in London," he added, "and therefore has had no occasion to refuse, as the NAM mistakenly reports. Nor has the Bank ever thought it possible to sell its securities in the visible future in Paris or Amsterdam," he continued, "although the Bank has been studying the possibilities of sales in Canada some time later."

As for the inflationary effects, the spokesman said that the Bank flotations and expenditures therefrom will be spread over a long period of time.

Truman Proclaims Hostilities' End

(Continued from page 9)
clare, that hostilities have terminated.

Now, therefore, I, Harry S. Truman, President of the United States of America, do hereby proclaim the cessation of hostilities of World War II, effective 12 o'clock noon, Dec. 31, 1946.

In witness whereof, I have hereunto set my hand and caused the seal of the United States of America to be affixed.

Done at the City of Washington this thirty-first day of December in the year of our Lord, Nineteen Hundred and Forty-Six, and of the independence of the United States of America the one hundred and seventy-first.

HARRY S. TRUMAN.

By the President:
JAMES F. BYRNES,
The Secretary of State.

Truman's Statement

The following statement was released by the President along with the proclamation:

I have today issued a proclamation terminating the period of hostilities of World War II., as of 12 o'clock Noon today, Dec. 31, 1946.

Under the law, a number of war and emergency statutes cease to be effective upon the issuance of this proclamation. It is my belief that the time has come when such a declaration can properly be made, and that it is in the public interest to make it. Most of the powers affected by the proclamation need no longer be exercised by the Executive Branch of the Government. This is entirely in keeping with the policies which I have consistently followed, in an effort to bring our economy and our Government back to a peacetime basis as quickly as possible.

The proclamation terminates Government powers under some 20 statutes, immediately upon its issuance. It terminates Government powers under some 33 others at a later date, generally at the end of six months from the date of the proclamation. This follows as a result of provisions made by the Congress, when the legislation originally passed. In a few instances the statutes affected by the proclamation give the Government certain powers which in my opinion are desirable in peacetime, or for the remainder of the period of reconversion. In these instances, recommendations will be made to the Congress for additional legislation.

It should be noted that the proclamation does not terminate the states of emergency declared by President Roosevelt on Sept. 8, 1939 and May 27, 1941. Nor does today's action have the effect of terminating the state of war itself. It terminates merely the period of hostilities. With respect to the termination of the National Emergency and the state of war. I shall make recommendations to the Congress in the near future.

Business Man's Bookshelf

Chemical Industry, The—In the "Index" quarterly publication of the New York Trust Company, New York City. Current issue also contains study of **Mineral Resources of the United States.**

How Industry Can Keep the Peace—Eldridge Haynes—Citizens Conference on International Economic Union, 370 Lexington Avenue, New York 7, N. Y.—paper.

So You Believe in Rent Control?—V. Orval Watts—Foundation for Economic Education, Inc., Irvington-on-Hudson, N. Y. — 6 copies for 25¢; lower rates in quantity.

Detroit Bowling League Match Scores

DETROIT, MICH.—Due to the intervention of the Christmas holidays, regularly scheduled bowling in the Brokers' League was suspended until Dec. 30. Various members of the League were active, however, with a match game between Paine, Webber, Jackson & Curtis, League leaders, and a picked team composed of Clarence Horn, First of Michigan Corp.; Don Miller, McDonald, Moore & Co.; Ray P. Bernardi, Cray, McFawn & Co.; Charlie Bechtel, H. V. Sattley & Co.; and Ross Sutherland, Cray, McFawn & Co. The latter team came out the winner, 2263 to 2207, and has already received a challenge from W. C. Roney & Co., as well as a request from Paine, Webber for a rematch. Clarence Horn, with an average of 185, was high man for both teams. Bernardi and Bechtel, for the winners, and Buckley and Padgett, for the losers, were also well over their season's average.

Winners of the Special Holiday Sweepstakes, bowled Dec. 16, were Fred Alliston, Wm. C. Roney & Co. (105 pins over average); J. Murphy, Paine Webber, Jackson & Curtis (102 pins), and Edwin Ackerly, Chas. A. Parcells & Co. (87 pins). Prizes were $12, $11 and $10, respectively.

Ray P. Bernardi, President of the league, has announced that The Securities Traders' Association of Detroit and Michigan, its sponsors, will donate individual trophies to each member of the winning team at the conclusion of the regular season. This is in addition to the "Michigan Investor" trophy, to be awarded as a team prize. Also, Norman D. Humphries, Keystone Custodian Funds, Detroit, will donate an individual trophy to the most improved bowler of the season. Judging from the way the teams are already battling it looks like it will be a hot race right down to the finish.

With Brailsford & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Leslie S. Southcomb has become connected with Brailsford & Co., 208 South La Salle Street, members of the Chicago Stock Exchange.

With Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Harris, Upham & Co., 135 South La Salle Street, members of the New York and other Stock Exchanges, have added Miles R. DuKet to their staff.

Finds Decline in National Income Growth

(Continued from page 10)

per capita almost tripled. Comparisons with data for the years preceding the Civil War suggest that these rates of growth for national income and income per capita (but not for population) were distinctly higher than those for 1800-60.

The record, Dr. Kuznets says, "indicates large growth in product per capita in the country's capacity to produce, even when measured per member of its vastly greater population." This, he adds, "means a substantial increase in economic welfare or power per capita."

The evidence of a decline in the rate of growth of national income, as explained in the report, does not in itself lead to the conclusion that the economy is in a long-run trend toward stagnation. "The mere observation of retardation in the rate of growth in the past," and its simple projection into the future no more constitute, Dr. Kuznets declares, "a proof of the theory of secular stagnation than the observation and extrapolation of constant or accelerating rates of growth would constitute a disproof."

Factors Contributing to Growth Of National Income

Of the total increase of $59 billion in national income, in 1929 prices, from 1875 to 1925, $21 billion can be ascribed to the increase in the number of gainfully occupied and $38 billion to the increase in income per gainfully occupied person.

Thus, well over 60% of the increase in national income in that period can be associated with the increase in income per gainfully occupied person. Income per gainfully occupied person rose $822 in 1929 prices. Of this, $486, or 59%, was due to the rise of income per gainfully occupied person within the various industries; $336, or 41%, was due to shifts of workers from industries with lower to industries with higher income per gainfully occupied person.

Flow of Goods Into Consumption and Into Capital Formation

Throughout the period the flow of goods to consumers was a consistently large component of national income: in no decade was it less than 80%. The "predominance of ultimate consumption as the channel into which current product flows . . . is a characteristic of long standing in this country," Dr. Kuznets reports.

While the trend in the share of the flow of goods to consumers was upward and in the share of capital formation downward, "neither is pronounced unless we include the last two decades, which were affected by the 1929-32 depression and its aftermath."

"The composition of the flow of goods to consumers and of net capital formation also shifted," Dr. Kuznets finds. "In the former, the main long-term trend is the rise in the share of services not embodied in new commodities. There was also some tendency toward a rise in the share of consumer durable commodities. The shares of perishable and of semidurable commodities declined."

The long-run shifts in the composition of net capital formation were more pronounced. There is evidence, the report shows, of a trend away from construction and inventory accumulation and toward producer durable equipment and additions to claims against foreign countries.

The total increase during the 60 years in the value of durable reproducible wealth; that is, the net stock of construction and equipment, was distributed about one-third to private industry, excluding public utilities and residential construction; about three-tenths to public utilities; about one-fifth to residential construction, and about one-seventh to activities under public auspices. The additions to net construction and equipment by private industry, public utilities and residential construction showed a decline from the first 20 years of the period to the last 20. Of the total added under public auspices, on the contrary, considerably less than one-half was added during the first 40 years and 57% during the last 20.

Retardation in Rate of Growth of Durable Reproducible Wealth

Of the total 60 years' accumulation of durable reproducible wealth, more than one-third was added during the first 20 years and much less than one-third during the last 20. This fact, according to the report, suggests a retardation in the rate of growth of durable reproducible wealth.

Measuring this retardation, Dr. Kuznets finds that for total durable reproducible wealth as well as for every category distinguished, the stock increased at a sharply declining rate; the rate for private industry, excluding public utilities and residential construction, declined from 166% in the first 20 years to 8% in the last 20. The declines in the percentage rate of growth are equally drastic in other categories and even in the tax exempt group the large addition in the last 20 years, 115%, is smaller than in the first 20, 260%. The decline in the percentage rate of accumulation is shown even if the last 20 years, which include the unusually severe depressions of the 1930's, are excluded.

The data do not take adequate account of the improved efficiency of capital, but it cannot be assumed that this factor would offset the retardation in the rate of relative additions to the stock, Dr. Kuznets points out. All that can be said of the data as they stand, he concludes, is that "the total stock of capital in the country available for the production process grew at a high rate during the 60 years and the rate declined sharply from the early to the later part of the period."

This conclusion, together with the decline in the rate of growth of the labor supply as represented by the gainfully occupied, he says, help to explain the retardation in the rate of growth of national income. Furthermore, he adds, the reduction in the working hours of labor and the greater retardation in the rate of growth of reproducible capital than in the labor supply at least suggest why the rate of increase in national income per gainfully occupied person should also have declined.

Robt. D. Murphy to Be Byrnes' Deputy

Announcement was made on Dec. 20 of the appointment by Secretary of State Byrnes of Robert D. Murphy to serve as his deputy for the preparation of the peace treaty for Germany, Washington advices to the New York "Times" stated. The "Times" further said:

"Mr. Murphy will serve at the session of the deputies of the Big Four, who will convene in London on Jan. 14 in an effort to work out drafts of the proposed treaty for consideration of the Council of Foreign Ministers when the latter group meets in Moscow on March 10.

"Mr. Murphy, a veteran career diplomat, is thoroughly familiar with the German question through his long service as United States political adviser in Berlin."

Anglo-Brazilian Commercial Understanding

(Continued from page 16)

world which are threatened by food shortages. Certain areas in Asia, for example, are in urgent need of the Brazilian rice allocated to those areas by the International Emergency Food Council.

His Majesty's Government have been similarly concerned at the suspension of the export of certain raw materials produced in Brazil which are essential to industry in the United Kingdom, for example, hides and skins, timber and hardwood.

His Majesty's Government have therefore taken note with satisfaction of the undertaking of the Brazilian Minister for Foreign Affairs that everything possible will be done to meet the wishes of His Majesty's Government both as regards rice, maize, beans and as regards hides and skins, timber, &c., and of his statement that he had requested the President of Brazil to prolong the existing Anglo-Brazilian Agreements concerning food products for at least another year.

(6) *British-owned Enterprises in Brazil.*

The Brazilian Minister for Foreign Affairs stated that the Brazilian authorities, without excluding the possibility of organizing mixed Anglo-Brazilian Companies to take over and operate these the under-mentioned British interests, are disposed preferably to lend sterling for the purchase of material for their rehabilitation. He proposed that mixed commissions be appointed in Brazil as soon as possible to study the needs of each of these companies in the way of new equipment, &c., and the most effective way in which to raise the necessary new capital. These mixed commissions should be composed of representatives of each company and of the Brazilian authorities concerned.

These proposals have been brought by His Majesty's Government to the attention of the British companies concerned, namely:

Ceara Tramway Light and Power Company,
Para Electric Tramway and Light Company,
Manaos Tramways and Light Company,
Leopoldina Railway Company.

(7) *The Position of Foreign Enterprise in Brazil.*

The Brazilian Foreign Minister stated that the new Constitution offers full guarantees to foreign capital, the entry of which into Brazil is welcomed. The development of mineral and petroleum resources in Brazil is regulated by Government concessions which can be granted to individuals of Brazilian nationality or to juridical entities organized and established in Brazil in accordance with local law. The Constitution places no obstacles in the way of participation by foreign capital in such juridical entities. The Brazilian Foreign Minister added that, in his opinion, this principle will be maintained in future legislation regarding pretroleum. He gave an assurance that President Dutra heartily desires the co-operation of foreign enterprise in Brazil and wishes to assure to it all necessary guarantees consistent with the new Constitution.

His Majesty's Government welcomed this declaration. They have agreed that, pending the development of adequate Brazilian indigenous petroleum, every effort should be made to cover such petroleum requirements as Brazil may desire to receive from British sources, on the understanding that it is the intention of Brazil to draw a fair share of her petroleum requirements from such sources.

(8) *Sao Paulo Railway.*

His Majesty's Government have taken note of the explanations given by the Brazilian Minister for Foreign Affairs concerning the recent decision of his Government to exercise their contractural right to take over the British-owned Sao Paulo Railway.

They welcome his assurance that British technical and other participation in Brazilian enterprise is no less welcome today than in the past.

(9) *Civil Aviation.*

The Brazilian Minister for Foreign Affairs was informed of the intention of His Majesty's Government in the United Kingdom to send to Brazil early in October a delegation to negotiate a Civil Aviation Convention between Brazil and the United Kingdom: of their desire that, pending the signature of the projected Convention, the Brazilian authorities should relax, in favor of British South American Airways, the regulation which at present prevents that organization from adding immediately a fourth weekly service to their existing schedule of three services a week to Brazil: and of their hope that the Brazilian Minister for Foreign Affairs would lend his influence to secure the abolition of the regulation which empowers the Brazilian authorities to require foreign civil aircraft operating between points in Brazil to carry official Brazilian observers.

His Majesty's Government have welcomed the willingness expressed by the Brazilian Minister for Foreign Affairs to take up these matters with his Government.

(10) *British Purchases of Certain Commodities from Brazil.*

The Brazilian Minister for Foreign Affairs enquired what were the intentions of His Majesty's Government regarding the purchase, from Brazil, of cotton, coffee, oranges, brazil nuts and meat, expressing the hope that negotiations would begin shortly for a new Anglo-Brazilian meat contract which would take into consideration the recent agreement between the United Kingdom and Argentina over meat prices.

His Excellency was informed that the future British purchase program in respect of these particular commodities was under constant review, and that, subject to such relevant considerations as price, stock on hand, availability of shipping, &c., Brazilian offers would always be sympathetically examined.

(11) *Claims.*

The Brazilian Minister for Foreign Affairs was informed that His Majesty's Government attach importance to the settlement of certain outstanding claims by British companies or persons against Brazilian persons and official and/or commercial entities.

The Brazilian Minister for Foreign Affairs explained that the settlement of these claims lay within the competence of the Brazilian courts, a sphere in which the Brazilian Government has no power to intervene. He promised however, that he would use his personal good offices with a view to expediting settlements.

It was agreed that certain of these claims might be susceptible of settlement out of court, that His Majesty's Embassy at Rio de Janerio should discuss each case further with the Brazilian Ministry for Foreign Affairs, and that the Minister would take a personal interest in their settlement on his return to Brazil.

Foreign Office,
20th September, 1946.

No. 2.

Senhor Joao Neves da Fontoura to Mr. Ernest Bevin.

Brazilian Embassy,
London, 21st September, 1946.

Your Excellency,

I have the honor to acknowledge the receipt of your Excellency's note of the 21st September, relating to the discussions concerning matters of economic and commercial interest to our two countries, which were held at the Foreign Office from the 17th-20th September, 1946, between representatives of the Government of Brazil and of the Government of the United Kingdom, and to confirm the record of the conclusions set out in the annex thereto.

I avail, &c.

JOAO NEVES da FONTOURA.

Midwinter Meeting of AIB Executive Council

The midwinter meeting of the Executive Council of the American Institute of Banking, educational section of the American Bankers Association, will be held at the Astor Hotel in New York City on Jan. 29-31, it is announced by George J. Greenwood, Jr., President of the Institute, who is also Assistant Manager of The Bank of California N. A., Portland, Oregon. This is the first time the midwinter meeting has been held in New York. New York Chapter AIB of which Thaddeus C. Cox, Assistant Vice-President of the Central Hanover Bank and Trust Company, is President, will be host chapter to the midwinter meeting. Prior to the meeting of the Executive Council as a whole, Council committees will meet on Jan. 27-28. These committees are: Budget; Chapter Administration; Educational Advisory; Nominating; Program, and Transportation.

The midwinter meeting will bring together national leaders of the Institute, which is one of the largest institutions for adult education in the world. Besides President Greenwood, national officers and members of the Executive Council who will be in attendance at the midwinter meeting include: Garnett A. Carter, The Fulton National Bank, Atlanta, Ga.; Vice-President; Dr. William A. Irwin, Educational Director; Leroy Lewis, Associate Educational Director; Floyd W. Larson, Secretarp; Robert C. Rutherford, Assistant Secretary; David T. Scott, immediate past President of the Institute, The First National Bank of Boston, Mass.; Edward C. Boyer, The National Bank of Commerce in New Orleans, La.; Howard R. Chamberlain, Union Trust Company of Rochester, N.Y.; W. Howard Martie, Farmers Deposit National Bank, Pittsburgh, Pa.; Herbert E. Widenhofer, Fort Wayne National Bank, Fort Wayne, Ind.; J. Kaye Ewart, National Bank of Washington, Tacoma, Wash.; H. Waldo Graff, Trinity State Bank, Fort Worth, Texas; J. Vincent O'Neill, The National City Bank of New York; Hartwell F. Taylor, The Bank of Virginia, Richmond, Va.; Alton P. Barr, Security Savings Bank, Birmingham, Ala.; Walter D. Behnke, Old Kent Bank, Grand Rapids, Mich.; Clarence W. Brown, American Trust Company, Sacramento, Cal.; Christian Ries, Federal Reserve Bank of Minneapolis.

72 NYSE Firms Form Committee to Fight Issue of Permissive Incorporation

(Continued from page 6)

dends, in most cases tax considerations penalize corporations. Even if it is conceded that at certain high income levels present taxes favor corporations, the newly elected Congress will pass a new tax bill which, from all present indications, will improve the relative position of partnerships as compared with corporations."

On the sixth point, the booklet concludes with this observation, "The Exchange's own counsel, in a letter addressed to the Exchange on Jan. 7, 1946, confirms this contention (that the extent to which corporations can be used for any surplus accumulation is open to question), saying: '. . . if the tax authorities find present the purpose to avoid surtax, the tax is imposed even though the accumulation of surplus is reasonable in the light of the business needs of the corporation'."

The second point, according to its authors, attempts to rebut the contentions of the Ames' group that incorporation would bring more business to the floor of the Exchange and so increase the price of seats. "Upon analysis," the booklet reads, "the issue of incorporation would seem to have little direct bearing on the price of seats or the volume of business done by the Exchange. It has been implied that corporations have accessible to them important sources of commission business not now being tapped by member firms—an unlikely circumstance in view of the widespread activities of member firms. The price of seats is determined in the long run by earnings to members or firms who own them. Earnings in turn are determined by taxes, and it is pointed out above (Point One) that there are few, if any, tax advantages to the corporate form of organization."

The third point is that the nature of the partnership is superior to that of the corporation. Says the booklet, "Careful supervision of member firms by the Exchange, plus the fact that partnerships impose high standards of personnel and conduct, have resulted in a superb solvency record, superior to that of corporate institutions. . . . The interests of officers in a corporation cannot be substituted for the interests of partners whose entire financial worth is involved."

The fourth point stresses the possibility of unsuitable corporate members. "Although the proposed regulations concerning incorporation appear to offer safeguards against the admittance of unsuitable types of corporations," the booklet points out, "this cannot be assured. Once the first step is taken, further concessions are facilitated, so that ultimately the character of member firms, and thus of the Exchange itself, might be entirely changed—(in Chicago, the Board of Trade Clearing Corporation was compelled to admit the Farmers National Grain Corp. as a clearing member, even after rules were passed confining clearing privileges to partnerships)."

The fifth point denies that the corporation possesses greater attractions for new capital. "Here again," the booklet reads, "there is no demonstrated corporate superiority over the partnership. Stock of member corporations would be hedged about with many limitations restricting ownership and transferability, making it in no way comparable to stock of non-member corporations transacting a similar business. Furthermore, in the event of death, member corporation stock would be a considerably less liquid asset than a partnership, an important consideration for many older men."

The Committee in Opposition to Passage of the Permissive Incorporation Amendments includes the following who, unlike the members of the Ames' committee, have the official backing of the firms with which they are connected:

New York

John L. Clark of Abbott, Proctor & Paine; Jacob Bleibtreu of Abraham & Co.; Otto E. Dohrenwend of Baker, Weeks & Harden; H. Allen Wardle of Delafield & Delafield; M. Donald Grant of Fahnestock & Co.; David W. Smyth of Filor Bullard & Smyth; John L. Goodbody of Goodbody & Co.; Leonard D. Newborg of Hallgarten & Co.; George U. Harris of Harris, Upham & Co.; George R. Kantzler of E. F. Hutton & Co.; George W. Carpenter of Jessup & Lamont; Chalmers Wood of Johnson & Wood; James W. Wilson of Josephthal & Co.; Charles E. Ames of Kean, Taylor & Co.; John Rosenthal of Ladenburg, Thalmann & Co.; Louis W. Noel of Laidlaw & Co.; Homer Vilas of Cyrus J. Lawrence & Sons; Gerald M. Livingston; Hans A. Widenmann of C. M. Loeb, Rhoades & Co.; Floyd Keeler of Orvis Bros.; Ralph E. Samuel of Ralph E. Samuel & Co.; Walter Maynard of Shearson, Hammill & Co.; Charles C. Lawrence of Stillman, Maynard & Co.; Richard Teichgraeber of Thomson & McKinnon; John C. Maxwell of Tucker, Anthony & Co.; Dourtlandt D. Barnes of H. N. Whitney, Goadby & Co.

Out-of town

Herbert R. Bloch of Benjamin D. Bartlett & Co. of Cincinnati; Marco F. Hellman of J. Barth & Co. of San Francisco; M. A. Willem of Beer & Co. of New Orleans; Charles L. Smith of Bennett, Smith & Co. of Detroit; Henry D. Wieand of Bioren & Co. of Philadelphia; Francis D. Frost, Jr., of Bogardus, Frost & Banning of Los Angeles; Basil M. Jones of Branch, Cabell & Co. of Richmond; Sidney J. Adams of Paul Brown & Co. of St. Louis; Frank B. Cahn of Frank B. Cahn & Co. of Baltimore; F. M. McGuiness of Chaplin & Co. of Pittsburgh; John G. Curtis of Clement, Curtis & Co. of Chicago; Richard W. Courts of Courts & Co. of Atlanta; Allan C. House of Curtiss, House & Co. of Cleveland; Jerome Tegeler of Dempsey-Tegeler & Co. of St. Louis; Presley Edwards of A. G. Edwards & Sons of St. Louis; Barnett Faroll of Faroll & Co.; of Chicago; Ralph Chapman of Farwell, Chapman & Co. of Chicago; John P. Lins of Foster Bros., Young & Co., of Toledo; A. V. I. Brokaw of Friedman, Brokaw & Samish of St. Louis; Willis D. Gradison of W. D. Gradison & Co. of Cincinnati; Edmund W. Harrison of Harrison & Co. of Cincinnati; Walker Hill of Hill Bros. of St. Louis; Norman S. Hill of Hill & Co. of Cincinnati.

Also: Wayne Hummer of Wayne Hummer & Co. of Chicago; William E. Hutton of W. E. Hutton & Co. of Cincinnati Edward D. Jones of Edward D. Jones & Co. of St. Louis; N. K. Parker of Kay, Richards & Co. of Pittsburgh; George E. Booth of Lamson Bros. & Co. of Chicago; L. W. Young of A. E. Masten & Co. of Pittsburgh; Frank H. Hunter of McKelvy & Co. of Pittsburgh; C. McK. Lynch, Jr., of Moore, Leonard & Lynch of Pittsburgh; Norman Mesirow of Chicago; F. Eugene Newbold of W. H. Newbold Son & Co. of Philadelphia; Paul E. Murin of David A. Noyes & Co. of Chicago; Paul J. Nugent of Nugent & Igoe of East Orange, N. J.; John J. O'Brien of John J. O'Brien & Co. of Chicago; Joseph E. O'Connell of O'Connell & Co. of Boston; Julius W. Reinholdt, Jr., of Reinholdt & Gardner of St. Louis; Buford Scott of Scott & Stringfellow of Richmond; Frederick Nussbaum of I. M. Simon & Co. of St. Louis; Thomas E. Hasty of Sincere & Co. of Chicago; Walter A. Hamshaw of Sutro & Co. of San Francisco; Harry L. Franc of Waldheim, Platt & Co. of St. Louis; Irvin F. Westheimer of Westheimer & Co. of Cincinnati; Dean Witter of Dean Witter & Co. of San Francisco; Philip L. Lee of Wurts, Dulles & Co. of Philadelphia.

Comparison Showing Amount Retained After Taxes, Partnerships vs. Corporations

PARTNERSHIP BASIS		CORPORATION BASIS		
Assumed Distribution to a Partner	Income Taxes Amount Retained After Deducting Federal	Fed. Income Taxes Am't Retained as an Officer from Salary and Dividends after Deducting	Fed. Income Taxes Am't Retained by Corporation after Deducting Salary, Dividends and	Col. 2 Total for Compar'on with Am'ts Shown in
$ 25,000*	$15,357	$11,710	$ 2,821	$14,531
32,000*	18,263	13,131	4,340	17,471
40.000*	21,247	14,603	6,076	20,679
50,000	24,521	16,337	8,246	24,583
70.000	29,986	19,553	12,586	32,139
90,000	34,311	22,430	16,926	39,356
100,000	36,046	23,719	19,096	42,815

*At these levels of profit per partner, present taxes favor partnerships. Proposed changes in tax laws for 1947 would further increase partnership advantage. If the amount retained by the corporation (col. 4) were ultimately distributed, an additional tax would be incurred, reducing col. 5 accordingly.

NOTES:

The individual taxes have been computed at 1946 rates without considering any exemptions.

The corporate taxes have been computed at 1946 rates on the basis of earnings in excess of $50,000.00.

The sum of $12,000.00 has been used for the officer's salary.

Dividend distributions have been assumed at 65% of the net earnings, after deducting the officer's salary and Federal income taxes on corporate earnings.

Small Issues Final Report

(Continued from page 16)

Order of Oct. 4, 1945 which established the agency:

1. Expand the production of materials in short supply,
2. Limit the manufacture of products for which materials or facilities are insufficient;
3. Control inventories so as to avoid speculative hoarding and unbalanced distribution which would curtail total production;
4. Grant priority assistance to break bottlenecks which would impede the reconversion process;
5. Facilitate the fulfillment of relief and other essential export programs;
6. Allocate scarce materials and facilities necessary for the production of low-priced items essential to the continued success of the stabilization program of the Federal Government.

There has been no break in the agency's policy of getting rid of orders and regulations just as soon as their essentiality can no longer be demonstrated. The burden of proof as to the retention of a particular control has consistently been placed upon those who felt that the control was necessary. Unless it could be clearly shown that the control was necessary, it was dropped.

The Production Record

This country has made tremendous production strides in the past year and is now virtually out of the reconversion woods. The facts speak for themselves. And in this report I have endeavored to sum up those facts. Together they form a great tribute to American industry and American labor. There have been problems, and big ones to be sure. But for the most part they have already been licked.

During the reconversion period industrial production has always been at least 50% above the average level in the late thirties, and for the past six months, following the settlement of strikes in basic industries, it has climbed steadily to new peacetime highs month after month. The phenomenal increases the output of building materials so vital to the building of homes for veterans has never been matched in American history. As output of basic materials has approached capacity levels, pipe-lines of raw materials and goods-in-process have been rapidly filling, and much-sought-after end products, such as radios, electric ranges, washing machines, and vacuum cleaners, are flowing to consumer outlets at rates well above prewar levels. The fact that these goods cannot be readily purchased is the result of a seemingly insatiable demand rather than a dearth of production.

Current Shortage of Supplies

Many products in short supply are already moving into balance. The remaining problems of achieving maximum output of final end products are well in hand and, barring major work stoppages, should be achieved by normal pre-war American methods. The most serious war-born shortages have been filled, with the important exception of housing. Shortages which exist are serious to particular industries and individuals, but these are in the process of being taken care of rapidly.

Full Employment—A Reality

Essentially full employment has been achieved. The country today has more people employed than ever before in its peacetime history. Only about two million people are currently reported as unemployed, and, despite generally accepted V-J Day forecasts of 6 to 8 million unemployed by Christmas, 1945, at no time in the past year did the figure rise above three million even with the rapid demobilization of the armed forces. To a large extent this represents frictional unemployment of people moving from job to job and people with particular skills who cannot find work to their liking where they prefer to work. Such unemployment probably will always exist in a free enterprise system where workers and jobs are matched by the choices of free men.

Labor-Management Difficulties

The serious impact of work stoppages cannot be too strongly stressed. The major strikes of early 1946 delayed the achievement of today's record employment and production by several months. Their effects are still being felt in diminishing degree.

The American economy is a highly complex and interrelated mechanism. The drying up of supply in one commodity for any cause sets off a chain reaction that is felt throughout the rest of the system. These reactions show their effects with differing time lags in different industries. Sometimes an industry will feel the impact more than once and from more than one source. For instance, the coal strike of last Spring hit automobile producers once when they had to shut down for lack of coal at their own plants, and again as steel shipments took time to recover. Again auto makers were hit when their parts manufacturers were delayed or failed to make shipments of finished parts. Other impacts were felt from suppliers of textiles, paints, wiring devices, batteries, etc. All of these impacts are mixed up with a multitude of similar factors so that the total effects of any one isolated work stoppage cannot be accurately evaluated.

Wanted—A Better Solution

A new wave of work stoppages at this time, or in the next few months, could well lose for the country much of the gain that has been made in recent months. Work stoppages must be avoided. Some better solution must be found for settling labor management disputes. The exercise of war-time priority and allocation powers is not the solution. The solution must be reached by labor and management working together, in the realization that production once lost cannot satisfy human wants, fill pay envelopes, or return profits to the owners.

Generally the economy is in a healthy condition. It should be possible to achieve maximum output for most commodities within a reasonable period of time under the momentum that has been accumulated. Shortages which still exist are of three major categories: they stem (1) from international problems which must be solved by particular techniques in each instance, (2) from lack of adequate plant capacities, which will be corrected in the long run if the demand holds up, and (3) from a shortage of natural resources, which can be corrected only by finding substitute materials or sources. None of these problems are of the type that can be cured rapidly by the further exercise of war powers. Generally their solution should be achieved either by industry or by permanent government agencies.

Paine, Webber Adds Five

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York Stock Exchange and other leading exchanges, have added to their staff Wilson Brunel, James E. Cuddy, Robert H. Ford, James D. Murphy, and Edward L. Supple.

C. Lee Todd Dies

C. Lee Todd, member of the Boston Stock Exchange, died at his home at the age of 72. Mr. Todd, who was born in Lexington, Ky., came to Massachusetts as a young man and became associated with the firm of Moors & Cabot, Boston, Mass. more than 50 years ago.

With Mercier, McDowell

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—George A. McDowell, Jr. has been added to the staff of Mercier, McDowell & Dolphyn, Buhl Building, members of the Detroit Stock Exchange.

Milton J. Beirne Dead

Milton J. Beirne, partner in Branch & Co. of Richmond, Va. and a member of the New York Stock Exchange, died on Dec. 22.

With Stone & Webster Sec.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Walter B. Huey, Jr. is now with Stone & Webster Securities Corp., 33 South Clark Street.

Davis With Victor Uhl

(Special to THE FINANCIAL CHRONICLE)

SPRINGFIELD, ILL.—C. Russell Davis has become affiliated with Victor A. Uhl & Co., Myers Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Sleepy market lacks interest, present or for immediate future. Apparently market is waiting to get over the holiday binge; for Congress to start, before it moves.

Last week I thought the market was at the mark and all it needed was a ready-set, and away it would go. Instead it had a series of false starts, and at this writing, is still kind of champing at the bit.

* * *

This is the place where I should develop a few theories and expound on them at length. I could mention the portal-to-portal suits; the coming Congress; the state of mind of various key people in Government, and so on *ad nauseum*. God knows I have enough printed matter before me on which to base all sorts of theories and opinions. Naturally most of these would be rehashes of somebody else's opinions. But, what of it? Chances are that these in turn were rewrites to still other peoples' thoughts. Actually all Wall Street is a mass of predigested thought and opinion. First there are the interpretors of the ticker tape and translux. Practically every boardroom chair warmer has a pet idea of what is behind each stock that shows up on the tape and at the slightest provocation, or no provocation, passes it on to his neighbor. Then come the customers' men (today, they're called customers' brokers) who are on a slightly higher level. They have loads of "inside" information which they pass on to customers in the hopes that the customers will come through with orders.

* * *

After the customers' men come the boys in the back rooms who use slide rules, charts, statistics and chit-chat with other lads working for other houses. At regular periods, or irregular ones, they issue market letters that are usually masterpieces of inuendo. These serve as the potbellied stoves around which customers may huddle and warm their vocal chords and imaginations. In the hierarchy are the partners who sit in a hush-hush atmosphere surrounded by oak or pine paneled rooms each partner trying to emulate the Men of Distinction. These partners also have customers who they guide by phone. Sometimes they don't even have to be guided. The customer may be an investment trust or a bank. In that case the partner doesn't have to advise. He merely takes an order and tries to fill it. If he fills it well, he's a good broker. If he doesn't it was because the man on the floor was out smoking, or the crowd around the post didn't seem to know anything.

* * *

Then there are the professional market advisors who, for so much a month, will show you how to make money the easy way. On top of them all are the statistical services who break down income statements and balance sheets and show you why a certain stock is bound to go up because—and then come the multitudinous reasons. Frequently the stock under discussion, instead of advancing, goes down. That seldom is a major worry. The list of stocks is so large that if one goes down, another may go up, so somebody is happy.

* * *

I too have been poring over the stock tape in the past few days, though not avidly. What with parties and things, the market action has been kind of secondary of late. Having told you how other people work, I should come up with something original, something that would make me stand out. But all I can see is a mass of nothing. Here and there a few stocks pretend they mean business. I no sooner call attention to them then they shy away, acting like they didn't mean anything. It was all a mistake.

* * *

Maybe once the New Year is behind us, something else will appear; something that has more staying power than a snowflake on a hot stove. Right now, it is merely a tiresome dull market, full of *ennui*. There is, however, one thing to say about such markets. The same kind of boredom which afflicts me also affects others. It is frequently under cover of such lackadaisical action that buying of more than a casual sort goes on.

* * *

This might well be the case at present. So I repeat last week's advice to hold on to all stocks, though by no means to forget the critical levels under which they should not be held.

[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.]

More next Thursday.

—Walter Whyte

Buechler Heads Dept. Of Kalb, Voorhis & Co.

Kalb, Voorhis & Co., members of the New York Stock Exchange, announce today that Richard K. Buechler has become associated with the firm as manager of their institutional department. Mr. Buechler had been manager of the trading department at Lehman Brothers for the last five years. For six years prior to that he was partner in charge of the bond department of Newman Bros. & Worms, Stock Exchange members, and for seven years before that was manager of the bond department at H. Hentz & Co.

Richard K. Buechler

After graduation from the Wharton School of Finance, University of Pennsylvania, Mr. Buechler started his business career with the underwriting house of Speyer & Co. In 1942 he handled for Lehman Brothers the first bond secondary offering ever made in Wall Street, which involved $1,200,000 of Atlantic Coast Line bonds.

Barrett Assoc. Officer

Barrett Associates, Inc., New York investment counsel, have announced that Sidney F. Tyler has become associated with the firm as Vice-President and Director.

Schultz With Blair & Co.

Blair & Co., Inc., 44 Wall Street, New York City, announces that Lloyd G. Schultz has become associated with the firm in the sales department.

Pennsylvania Brevities

(Continued from page 12)

are: "the present capital structure, which includes in substantial amounts two classes of debt securities and three different classes of preferred stock, of which several are non-callable issues, is unduly and unnecessarily complicated and results in an unfair and inequitable distribution of voting power among security holders and of various other companies in its holding company system."

Also cited is "the present arrangement, under which various transportation properties of the Pittsburgh Railways system are owned by 54 different corporations under a system of leases and operating agreements." Also the arrangement "pursuant to which Philadelphia Company owns certain gas utility assets which are leased to and operated by Equitable Gas Co., and the existence of the large open account on the books of Equitable Gas in favor of Philadelphia Company and Pittsburgh & West Virginia Gas Co., bearing 6% interest."

* * *

Philco Corp

According to John Ballantyne, President, operating earnings of Philco Corp. in recent months will more than offset losses sustained in the earlier portion of 1946, due largely to labor and other difficulties on the part of Philco suppliers, and the year just closed will reflect net income in excess of dividend disbursements. The company reported income of $1,151,206 in the September quarter, equivalent to 77 cents a common share.

In commenting upon the extent to which earnings have been "plowed back" into the business in recent years, Mr. Ballantyne said: "The book value of Philco common has increased from $8.87 per share in 1939 to $17.23 as of Dec. 31, 1945. We believe that when the excess of net income over dividends for 1946 is added, more than $10,000,000 will have been reinvested from earnings since 1939."

* * *

American Stores Co.

Gross sales and net earnings of this grocery chain for 1946 are expected to exceed all previous records, William Park, President, told a special meeting of stockholders last month. The company reported net income of $2,001,837 for the first six months, compared with net income of $1,975,192 for all of 1945. Net sales for 1946 are expected to exceed $300,000,000. Mr. Park stated that the company plans to add between 40 and 50 super-markets to its chain during 1947. These units, which are of the self-service type, will be leased or built by the company.

* * *

York Corporation

Stockholders of York Corporation, manufacturers of refrigeration and air conditioning equipment, will vote at the annual meeting, Jan. 14, on capital changes which will include the creation of an authorized issue of $16,000,000 convertible preferred stock. Present plans are for a $2.25 dividend rate on a $50 par, to be offered "subject to market conditions" at a price to net the corporation approximately $50 per share. Conversion rate would be determined by the directors prior to the public offering.

Proceeds would be used for a reduction of $5,000,000 in bank loans, for plant improvement and general improvements. Stockholders will also be asked to redesignate the present capital stock as common stock and to increase the authorized shares from 962,046 to 1,500,000 in order to provide for preferred conversion.

Phila. & Reading Coal & Iron

Reorganized in 1945, Philadelphia & Reading Coal & Iron Co. has completed its first calendar year under its simple common stock capitalization. Indications are that earnings will exceed $3 on the 1,444,086 shares outstanding, over three times the 1945 results. Dividends of $1 were paid in 1946, although the stock is not on a stated dividend basis. Improved earnings reflect larger coal shipments. The hard coal industry was not affected by strikes and during the soft coal walkouts, additional shipping facilities were available to anthracite producers.

Saturday Bank Closings

Legislation providing for mandatory Saturday closing of Pennsylvania banks from May to September, with permissive closing for balance of year, will be proposed promptly to the 1947 Legislature by the Pennsylvania Bankers Association. Results of poll of P. B. A. member banks showed 602 banks for and 163 banks against some form of Saturday closing. Of the total, 241 banks, including 30 in Philadelphia, voted for plan adopted by the committee, while 228 favored mandatory Saturday closing for entire year. Majorities of all nine P. B. A. groups favored some form of Saturday closing.

* * *

Philadelphia's Mayor Bernard Samuel has announced that the City has signed a contract with Welsbach Engineering & Management Co. for $610,000 to cover cost of installation of an ozonation plant at the Belmont pumping station. This is one step in the City's program to provide better drinking water.

Pittsburgh Bond Club Christmas Luncheon

PITTSBURGH, PA.—More than 100 members of the Bond Club of Pittsburgh assembled in the Red Room of the Duquesne Club on Saturday, Dec. 21, to enjoy the Club's annual Christmas luncheon. Following a delicious meal, S. W. Steinecke, S. K. Cunningham & Co., President of the Club, introduced the Very Reverend N. R. High Moor, Dean of Trinity Cathedral, who delivered an inspiring Christmas message. In commemoration of Dean Moor's long association with the Bond Club as speaker at its Christmas luncheons and other events, the Club presented him with a handsome silver fruit bowl, suitably engraved. The presentation was made by Owen Kraft, Blyth & Co., Inc., Chairman of the Christmas Luncheon Committee. Christmas carols were sung by a choir composed of Bond Club members under the direction of J. Julius Baird, Musical Director, Organist and Choir Master of Calvary Episcopal Church.

In addition to Mr. Kraft, other members of the Committee were: Arthur Batty, of Phillips, Schmertz & Robinson; James D. McKee, of Green, Ellis & Anderson; John P. Woods, of First Boston Corporation; James T. Brown, of the Mellon National Bank & Trust Company, and John L. Fitzgerald, of Singer, Deane & Scribner.

Edw. C. Bendere Jr. With Union Securities Corp.

PHILADELPHIA, PA.—Union Securities Corporation, 123 South Broad Street, announces that Edward C. Bendere, Jr., formerly Lt. Col., U. S. Army Air Forces, has become associated with the firm.

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.

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.

● **Alexander's Department Stores, Inc., Bronx, N. Y. (1/2)**

Dec. 23 (letter of notification) 3,500 shares ($50 par) 5% cumulative preferred. To be offered to employees at $50 a share of which $25 will be paid by employees and $25 by company under profit sharing and stock purchase plan. No underwriting. For general funds.

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 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 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 Soil Products Co., Inc., N. Y. (1/3)**

Dec. 27 (letter of notification) 541,818 shares of 7% preferred stock (par 50¢) and 290,909 shares of Class A common (par 10¢). Latter amount includes 20,000 shares which will be offered to underwriter as an investment. **Underwriter** — Henry Hall Marshall, 50 Broad Street, New York. To be offered in units of 2 preferred shares and one common share at $1.10 per unit. Proceeds for general corporate purposes.

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. Dec. 23 the recapitalization plan was rejected by the SEC and the company was allowed 30 days in which to file amendments providing for additional payments to the various classes of security holders involved.

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.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

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 Fund Inc., St. Louis, Mo.**

Dec 30 filed 17,500 full paid certificates in units of $100 each and 22,500 instalment payment certificates in units of $100 each. **Underwriter**—Associated Fund Inc., is the sponsor-depositor. **Price**—At face amount. **Proceeds**—For investment. **Business**—Investment Business.

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.

Bachmann Uxbridge Worsted Corp.

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. Offering of preferred at end of January; common may be withdrawn

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.

● **Bell & Gosset Corp., Morton Grove, Ill.**

Dec. 30 filed 105,000 shares ($5 par) common stock. **Underwriters**—Ames, Emerich & Co., Inc., Lee Higginson Corp., and Kibbon, McCormick & Co. **Offering** — 100,000 shares will be offered to the public at $9.50 a share. The remaining 5,000 shares will be offered by the company to its employees who are not now shareholders at $8.30 a share. **Proceeds**—The proceeds from the sale will be used to pay interest on debenture notes and reduce loans. **Business** — Company makes hot water specialities and industrial pumps.

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. (1/7)

Company is inviting bids for the purchase of 45,478 shares of 4.20% preferred stock up to 12 noon (EST), Jan. 7, at Room 1852, 2 Rector St., New York City. Probable bidders include The First Boston Corp.; Dillon, Read & Co., Inc.; Blyth & Co., Inc.; Lehman Brothers; Kidder, Peabody & Co.

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 re-

(Continued on page 42)

NEW ISSUE CALENDAR

(Showing probable date of offering)

January 2, 1947

Alexander's Dept. Stores, Inc.	Preferred
Brooks & Fairlamb Co.	Common
Frontier Power Co.	Common
Harman (William) & Corp.	Capital Stock
Orange-Crush de Cuba S. A.	Common

January 3, 1947

American Soil Products Inc.	Pref. and Cl. A Com.
Canadian Admiral Corp. Ltd.	Common
Southern Pacific Co.	Conditional Sales Agreem'ts
Specialty Bakers Supply Co.	Common

January 4, 1947

Farbon Corp.	A Stock and Common

January 6, 1947

Leader Enterprises, Inc.	Common and Preferred
Baltimore & Ohio RR. (Noon)	Equip. Trust Ctfs.

January 7, 1947

Birmingham Electric Co.	Preferred

January 8, 1947

"Big" and "Little" Inch Pipeline	Pipelines
Chicago St. Paul Minn. & Omaha Ry., Noon (CST)	Equip. Trust Ctfs.

January 10, 1947

Republic Indemnity Co.	Common and Preferred

January 13, 1947

Western Air Lines Inc.	Capital Stock

January 15, 1947

General Phoenix Corp.	Debentures
Old Town Ribbon & Carbon Co.	Common
Swift & Co.	Debentures

January 16, 1947

Fresh Dry Foods Inc.	Common

January 27, 1947

Central & South West Corp.	Common

(Continued from page 41)

demption 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.

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.

Brooks & Fairlamb, Inc., Philadelphia (1/2)

Dec. 19 (letter of notification) 50,000 shares of $1 par class A common. **Price**—$2 a share. No underwriting. For working capital.

● **Bureau of National Affairs, Inc., Washington, D. C.**

Dec. 23 (letter of notification) 30,000 shares of common. **Price**—$10 a share.. No underwriting. For cash reserve.

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.

Canadian Admiral Corp. Ltd., Toronto (1/3-10)

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**—No underwriters. **Offering**—To the public at $1 a share in Canadian funds. **Proceeds**—For a variety of purposes in connection with exploration, sinking of shafts, diamond drilling and working capital.

Central & South West Corp. (1/27-28)

Aug. 30 Central & Southwest Utilities Co. (name changed by post effective amendment to Central & South West Corp.) filed an indefinite number of common shares (par $5). Sealed bids will be received 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. **Bids to be Invited**—Bids for the purchase of the stock will be issued Jan. 17 to be received Jan. 27 or Jan. 28.

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.

Citizens Casualty Co. of New York

Dec. 3 (letter of notification) 5,000 shares of $1.25 prior preferred being offered to stockholders at $25 a share. The right to subscribe will be in the ratio of one share for each 5 shares held. **Underwriter**—Salvage Adjustment Corp., New York, may be considered underwriters. For general corporate purposes.

● **College Education Insurance Co., Inc., Shreveport, La.**

Dec. 20 (letter of notification) 5,000 shares of common. **Price** — $15 a share. **Underwriter** — M. H. Tobias, Sr., Shreveport, La. To be used for capital stock required by charter.

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 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.

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.

Continental Car-na-var Corp., Brazil, Ind.

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-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.

● **Curtis Publishing Co., Philadelphia**

Dec. 23 (letter of notification) 500 shares of prior preferred stock being sold on behalf of trustees under the will of Cyrus H. K. Curtis. Price at market. To be offered through The First Boston Corp. **Proceeds**—Go to the selling stockholder.

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.

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.

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.

Dispensers Inc., Brooklyn, N. Y.
Dec. 13 (letter of notification) $100,000 of 5-year 4% sinking fund debentures, due 1951; $100,000 of 7½ year 4% sinking fund debentures, due 1954; 10,000 shares ($9.50 par) 5% cumulative preferred; 30,000 shares (15¢ par) common, and options for purchase of 25,000 shares of common, exercisable one year after present offering. Prices, $1,000 per debenture, $9.50 a preferred shares, 15 cents a common share and one cent an option. The securities are to be offered to a group for investment, certain of whom are represented by Carl M. Loeb, Rhoades & Co. and certain of whom are represented by Roberts & Co. For payment of outstanding liabilities, for purchase of equipment and supplies and for working capital.

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 Cooperative Wholesale Inc., New York**
Dec. 30 filed 20,000 shares ($25 par) 4% cumulative dividend non-voting preferred stock. Series B. **Underwriters**—None. **Offering**—Shares will be offered directly to stockholders and those interested in the co-operative movement. **Price**—$25 a share. **Proceeds**—To retire outstanding debt and current liabilities approximating $100,000 and to provide funds for expansion program in fields of groceries, produce, meat, frozen foods, household and electrical appliances and related products. **Business**—Wholesale dealer, in groceries and household and allied products.

● **Edelbrew Brewery, Inc., Brooklyn, N. Y.**
Dec. 31 filed 5,000 shares ($100 par) 5% non-cumulative preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds** — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment. **Business**—Beer manufacturer.

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.

● **Farbon Corp., New York (1/4)**
Dec. 27 (letter of notification) 40,000 shares A stock (par $2.45) and 76,000 shares common stock (par 5¢). **Offering**—40,000 shares A and 40,000 shares common to be offered in units of one share of each at $2.50 per unit. The balance of 36,000 common were disposed of as follows: (1) 20,000 were sold Dec. 26, 1946 to Richard M. Locke, Vice-President at 5¢ per share as an investment; (2) 10,000 were purchased Dec. 26, 1946 by Gillen & Co. at 5¢ per share as an investment; (3) 6,000 shares are reserved by company for issuance to members of the proposed executive committee at 5¢ per share. **Underwriter**—Gillen & Co. Proceeds will be used for development and exploitation of a license agreement between A. M. Ross-Smith and General Aniline & Chemical Corp. to print fabrics by certain process known as "Ozara" in the development of which process General Aniline had been previously engaged.

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.

● **Fernstrom Paper Mills, Inc., Pomona, Calif.**
Dec. 24 (letter of notification) 2,950 shares ($100 par) 5% cumulative preferred. **Price**—$100 a share. **Underwriter**—Pacific Co. of California, Los Angeles, will sell 1,000 shares on an agency basis. To construct and equip additional paper mill.

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.

● **Finance Co. of America at Baltimore, Md.**
Dec. 23 (letter of notification) 750 shares of class A ($100 par) common. (non-voting). **Price**—$310 a share. **Underwriter**—The unsubscribed portion of the offering, if any, is being underwritten by Louis Eliasberg, President at $310 a share. Expansion of business.

Food Fair Stores, Inc., Philadelphia
Aug. 5 filed 60,000 shares ($15 par) cumulative preferred stock. **Underwriters**—Eastman, Dillon & Co. Price by amendment. **Proceeds**—To be used to redeem 15-year 3½% sinking fund debentures, due 1959; and $2.50 cumulative preferred at $53 a share. Balance will be added to working capital. Temporarily postponed.

Foreman Fabrics Corp., New York
July 29 filed 110,000 shares ($1 par) common stock, all outstanding. **Underwriters**—Cohu & Torrey. Price by amendment. Offering date indefinite.

Foster & Kleiser Co., San Francisco
July 29 filed 100,000 shares of $1.25 cumulative convertible preferred stock (par $25). **Underwriter**—Blyth & Co., Inc. **Offering**—Underwriters are making exchange offer to holders of Class A preferred on share for share basis plus a cash adjustment. **Proceeds**—Approximately $1,060,950 for redemption of class A preferred; balance for expansion, working capital, etc. Dividend rate and price by amendment. Offering temporarily postponed.

Fresh Dry Foods, Inc., Columbia, S. C. (1/16)
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. (1/2-15)
Oct. 25 filed 119,431 shares ($5 par) common. **Underwriter**—Sills, Minton & co. 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 Phoenix Corp., New York (1/15)**
Dec. 27 filed $2,000,000 15-year 4% convertible subordinated debentures, due 1962. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston. Price by amendment. **Proceeds**—Company will use part of the proceeds to purchase 25,000 additional shares ($5 par) capital stock, at $10 each, of the Stuyvesant Insurance Co., a subsidiary. The balance will be added to general funds. **Business**—Financing accounts receivable and making loans to businesses.

● **General Waterworks Corp., Philadelphia**
Dec. 19 (letter of notification) 2,950 shares ($100 par) 5% cumulative preferred. **Price**—$101½ a share. **Underwriters**—Minot, Kendall & Co., Inc., Boston, and Southern Securities Corp., Little Rock, Ark. For partial liquidation of unsecured notes.

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.

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.

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.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. **Underwriters**—H. M. Byllesby and Co., Inc. **Offering**—Underwriters to purchase from the company 18,500 shares of preferred and 20,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. Prices, preferred $100 a share; common $14 a share. **Proceeds**—To retire $6 cumulative preferred, pay notes, discharge a loan. Offering temporarily postponed.

Gulf Atlantic Transport'n Co., Jacksonville, Fla.
Jan. 17 filed 270,000 shares of common stock (par $1). **Underwriters**—Blair & Co. **Offering**—Stock is being offered to present shareholders at $3 per share. Holders of approximately 200,000 shares have agreed to waive their preemptive rights. Offering date indefinite.

Hammond Instrument Co., Chicago
Aug. 8 filed 80,000 shares ($1 par) common. **Underwriter:** Paul H. Davies & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds will be used to redeem its outstanding 6% cumulative preferred stock at an estimated cost of $213,258, exclusive of accrued dividends. It also will use approximately $402,000 toward the purchase of a manufacturing plant in Chicago; balance for working capital. Offering date indefinite.

Harman (William H.) Corp., Phila. (1/2-15)
Nov. 13 filed 300,000 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.

● **Harvey (Sid) Inc., Valley Stream, N. Y.**
Dec. 26 (letter of notification) 2,950 shares of preferred stock (par $100), 450 shares to be issued as a Christmas bonus to employees and executives and 2,500 shares to be offered to individuals from time to time. **Price**—$100 per share. Not underwritten. **Proceeds**—To increase general operating capital.

Health Institute, Inc., Hot Springs, N. Mex.
Dec. 16, filed 50,000 shares ($10 par) 5½% cumulative prior preferred and 50,000 shares ($10 par) common. **Underwriting**—None. **Offering**—All of the preferred and 40,000 shares of the common will be offered publicly. Of the remaining common, 9,998 shares will be issued to Charles J. Van Ruska in payment for promotional services and a 99-year lease on real estate assigned to the company, and one share each will be issued to Tom A. Corbett and Emil M. Van Sant for services. All three men are officers of the company. **Price**—$10.15 a preferred share and $10 a common share. **Proceeds**—Proceeds will be used to build and equip hotel and health facilities and to acquire a mineral water supply. **Business**—Operation of health resort.

Helene Curtis Industries, Inc., Chicago
Dec. 5 filed 60,000 shares ($5 par) 50-cent cumulative convertible preferred, Series A, and 120,000 shares ($1 par) common, reserved for conversion of preferred. **Underwriter**—Simons, Linburn & Co. **Offering**—Company will offer 40,000 shares of preferred to employees at $9.50 a share and 20,000 shares to the public at $10 a share. **Proceeds**—To be added to general corporate funds. **Business**—Beauty supplies.

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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.

Hy-Grade Supply Co., Oklahoma City

Dec. 3 (leter of notification) 54,350 shares of cum. conv. preferred and 50,000 common stock purchase warrants. **Price**—$5.50 a preferred share and 2 cents a warrant. **Underwriter**—Amos Treat & Co., New York. To exercise options for purchase of five variety stores, to retire notes and for working capital.

Illinois Power Co., Decatur, Ill.

June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. **Underwriters**—By competitive bidding. Probable bidders include Blyth & Co., Inc. and Mellon Securities Corp. (jointly) and Morgan Stanley & Co. and W. E. Hutton & Co. (jointly). **Proceeds**—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

International Dress Co., Inc., New York

Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

Inter-Mountain Telephone Co., Bristol, Tenn.

Dec. 19 filed 47,500 shares ($10 par) common. **Underwriters**—Headed by Alex. Brown & Sons, Baltimore, Md. **Offering**—The shares will be offered for subscription to common stockholders at $10 a share in the ratio of one new share for each share held. Unsubscribed shares will be sold to underwriters. **Proceeds**—Proceeds will be used to pay off $250,000 bank loan and for property additions and improvements.

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.

Leader Enterprises, Inc., New York (1/6-15)

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.

• **Liberty Fabrics of New York, Inc., New York**

Dec. 24 (letter of notification) 1,000 shares ($1 par) common being offered on behalf of Arthur H. Harrison, New York. Shares being issued to Harrison upon exercise of warrant for 1,000 shares at price of 7⅛ per share. Offering price to public, 9⅝ but not to exceed market. **Underwriters**—Allen & Co. will act as agent. **Proceeds**—Go to the selling stockholder.

Mada Yellowknife Gold Mines, Ltd., Toronto

June 7 filed 250,000 shares of capital stock (par 40c). **Underwriters**—Mark Daniels & Co. **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.

Manning, Maxwell & Moore, Inc.

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. Offering temporarily postponed.

Markley Corp., Meriden, Conn.

Dec. 5 (letter of notification) $75,000 5% convertible notes (par $1,000), $25,000 5% convertible notes (par $500) and 22,500 warrants for purchase of common. The notes will be sold at face amount and purchasers of each $1,000 note also will receive warrants for purchase of 140 shares of common and purchasers each $500 note will receive warrants for purchase of 70 shares of common. Other warrants for purchase of 8,500 shares of common will be sold at five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For payment of certain current indebtedness, purchase equipment and improve plant facilities.

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.

Monmouth Park Jockey Club, Oceanport, N. J.

Dec. 5 filed 16,000 shares ($50 par) 5% cumulative convertible preferred and 633,500 shares (1c par) common. **Underwriter**—Unsubscribed shares and additional shares to a total of 315,000 will be purchased by the Monmouth Corp., formed last May to finance construction of the racing plant. **Offering**—Company will offer present common stockholders the right to purchase 387,500 additional common shares at $4 each in the ratio of 1¼ shares for each share held. **Price**—$4 a share. **Proceeds**—Part of the funds will be used to redeem 25,200 shares of $50 par 4% non-cumulative convertible preferred held by Monmouth Corp. A balance due on construction work will be paid by distribution of 14,636 shares of the new preferred to F. H. McGraw & Co. and subcontractors. **Business**—Operation of race track.

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.

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.

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.

Northwestern Public Service Co.

Dec. 20 filed 26,000 shares ($100 par) cumulative preferred and 410,000 shares ($3 par) common. **Underwriters**—To be supplied by amendment. **Offering**—The new preferred will be offered in exchange to holders of the company's 7% cumulative preferred and 6% cumulative preferred, on a share for share basis. Shares not issued in exchange and all of the common shares will be sold to underwriters. Of the total common, the company is selling 110,000 shares and the remaining 300,000 shares are being sold by Bear, Stearns & Co. **Price**—By amendment. **Proceeds**—The company will use its proceeds to redeem old preferred stock.

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. Offering temporarily delayed.

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.

Oklahoma Gas and Electric Co.

Dec. 23 filed 890,000 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders will include The First Boston Corp.; White, Weld & Co.; Lehman Brothers and Blyth & Co., Inc. (jointly); Harriman, Ripley & Co.; Kuhn, Loeb & Co., and Smith, Barney & Co., (jointly). **Offering**—Of the total 750,000 shares will be sold by Standard Gas & Electric Co., parent and 140,000 shares will be sold by the company. Standard's shares comprise its entire holdings in Oklahoma Gas common. **Price**—By competitive bidding. **Proceeds**—Oklahoma will use its net proceeds to prepay part of its outstanding serial notes. The balance will be used for property additions.

Old Town Ribbon & Carbon Co. Inc. (1/15)

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. (1/2-15)

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.

• **Oval & Koster, Inc., Indianapolis, Ind.**

Dec. 24 (letter of notification) $275,000 of 4½% first mortgage bonds. **Price**—$1,000 per unit. **Underwriter**—The First Trust Co. of Lincoln, Neb. **Proceeds**—To complete payment for land, buildings and equipment.

Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pal Blade Co., Inc., New York
June 28, 1946 filed 227,500 shares ($1 par) capital stock **Underwriters**—F. Eberstadt & Co., Inc. **Offering**—225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Indefinitely postponed.

Palmetto Fibre Corp., Washington, D. C.
August 16 filed 4,000,000 shares (10¢ par) preference stock. **Underwriting**—Tellier & Co., New York. Price 50 cents a share. **Proceeds**—The company will use estimated net proceeds of $1,473,000 for purchase of a new factory near Punta Gorda, Florida, at a cost of about $951,928. It will set aside $150,000 for research and development purposes and the balance will be used as operating capital.

Pantasote Co., Passaic, N. J.
Dec. 20 filed 50,000 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—For construction of warehouse, purchase of equipment and for working capital. **Business**—Manufacture of artificial leather and laminated fabrics.

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.

Peruvian International Airways, Lima, Peru
Dec. 5 filed 477,122 shares ($7 par) 50-cent convertible preferred and 238,561 shares ($1 par) common. **Underwriter**—None stated. **Offering**—Shares will be offered publicly in units of two shares of convertible preferred and one share of common at $15 a unit. The company also may offer the shares other than by unit at a price of $7 a preferred share and $1 a common share. **Proceeds**—To increase capital for expansion of proposed air route connecting Peru and Montreal, Can.

● **Petroleum Heat & Power Co., Stamford, Conn.**
Dec. 30 filed 912,464 shares ($2 par) common. **Underwriters**—None. **Offering**—Shares will be offered in exchange for entire outstanding capital stock of Taylor Refining Co., consisting of 8,946 shares (no par) common with an underlying book value of $2,458,224 as of last Sept. 30. At a meeting of stockholders, Dec. 23 company authorized an increase in common stock from 1,000,000 to 2,000,000 shares and also authorized the issuance of the present offering in exchange for the Taylor stock. Approximately 70.9% of the common stock is held under a voting trust agreement of Aug. 15, 1945, which it is expected will be terminated upon the acquisition of the Taylor stock. **Business**—Production of oil burners.

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 Dairy Products Co., Inc.**
Dec. 26 (letter of notification) 2,907 shares of first preferred stock. **Underwriters**—Stock will be sold outright to Stroud & Co., Inc., Butcher & Sherrerd, and Glover & MacGregor, Inc. who will sell same to their customers at market but at not exceeding $102 per share **Proceeds**—Will be used for working capital.

● **Pig'n Whistle Corp., San Francisco**
Dec. 26 filed 50,000 shares (par $7.50) cumulative convertible prior preferred $2 dividend stock. **Underwriter**—G. Brashears & Co., Los Angeles. Price by amendment. **Proceeds**—23,481 shares are being issued by company and proceeds will be used in connection with recent purchase of four Chi Chi restaurants and cocktail lounges in Long Beach, Riverside, Palm Springs and San Diego and for working capital.

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.

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.

● **Queen City Fire Insurance Co., Sioux Falls, S. D.**
Dec. 23 (letter of notification) 1,500 shares of $150 par common. **Price**—$150 a share. No underwriters. Shares being offered for subscription to stockholders. Any unsubscribed shares will be purchased by The Anchor Casualty Co. of St. Paul, owner of 94.4% of the company's stock. For additional working capital.

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.

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. Dec. 17, it was announced company negotiated bank loans in lieu of public financing.

Republic Indemnity Co. of America, Tucson, Ariz. (1/10)
Dec. 12 filed 20,000 shares ($10 par) common and 50,000 shares ($2 par) 50c cumulative preferred. **Underwriter**—If company finds it necessary to enter an underwriting agreement, the name of the underwriter will be filed by amendment. **Offering**—The shares will be offered for subscription to common stockholders of record on Jan. 10, 1947, in the ratio of ⅔ of a share of new common for each share owned and 1⅔ shares of new preferred for each share of common held. Unsubscribed shares will be offered by the company to the public. **Price**—$30 a common share and $10 a preferred share. **Proceeds**—The proceeds will be used to augment capital by an additional $300,000 and surplus by an additional $800,000 for business expansion purposes.

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.

Santa Cruz (Calif.) Sky Park Airport, Inc.
Dec. 6 (letter of notification) 53,000 shares ($1 par) common. Of the total 31,000 shares will be offered publicly at $1 a share, 16,000 shares will be transferred to Alex. Wilson and Wayne Voigts for their interest in Santa Cruz Flying Service, which is a flying field and airport, and 6,000 shares would be issued in cancellation of partnership indebtedness. No underwriting. For operation of airport business.

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.

Slick Airways, Inc., San Antonio, Texas
Dec. 9 filed 500,000 shares ($10 par) common and options to purchase 175,813 shares of common. **Underwriting**—None. **Offering**—The common shares are to be offered publicly. The options for purchase of the 175,813 shares of common are to be offered to original subscribers of the company's stock. It also will issue options to employees for purchase of 69,875 shares of common. **Price**—$10 a share. **Proceeds**—For purchase of equipment and for working capital.

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.

● **Specialty Bakers Supply Co., N. Y. (1/3)**
Dec. 26 (letter of notification) 150 shares of common stock (par $1,000). **Underwriters**—None. **Price**—$1,000 per share, but not more than one share to a customer. Proceeds to establish and operate a wholesale bakers supply business, etc.

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.

● **Superior Industries, Inc., Goshen, Ind.**
Dec. 23 (letter of notification) 2,000 shares ($100 par) 5% preferred. **Price**—$100 a share. No underwriting. For purchase of manufacturing plant for production of house trailers.

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.

Swift & Co., Chicago (1/15)
Dec. 23 filed $50,000,000 of debentures, consisting of $15,000,000 of 1-10 year serials and $35,000,000 of 25-year debentures. **Underwriters**—Salomon Bros. & Hutzler, New York. **Price**—Serial debentures, which will be due $1,500,000 each Jan. 1, 1948 to 1957 inclusive, will be offered publicly at 100. The offering price of the 25-year debentures, which will be due 1972, will be supplied by amendment. **Proceeds**—Proceeds will be utilized for retirement of outstanding serial and term debentures amounting to $18,750,000, with the balance to be used for plant rehabilitation, modernization and expansion.

Swift International Co. Ltd., Buenos Aires, Argentine
Dec. 6 filed deposit certificates for 500,000 shares, par value 15 Argentine gold pesos a share. **Underwriters**—None. **Offering**—The shares will be offered for subscription to stockholders at the rate of one share for each three shares held. The subscription price will be supplied by amendment. Unsubscribed shares will be sold publicly or privately through brokers or dealers at a net price, after customary brokerage commissions, of not less than the offering price to stockholders. Price by amendment. **Proceeds**—Proceeds will be used to reduce outstanding bank loans, to finance additional investments in plant facilities and to provide additional working capital. **Business**—Holding company of subsidiaries engaged in meat packing and allied food lines.

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.

United States Gypsum Co.
Dec. 11, filed 399,477 common shares ($20 par). **Underwriting**—None. **Offering**—To be offered to stockholders of record Jan. 4 at $60 per share in ratio of one new share for each three owned. Rights will expire Jan. 31. **Proceeds**—Will be applied to the contemplated $42,000,000 plant improvement and construction program.

(Continued on page 46)

(Continued from page 45)

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.

• Union Trusteed Funds, Inc., New York

Dec. 27 filed 900,000 shares of capital stock divided as follows: 300,000 shares of Union Common Stock Fund; 200,000 shares of Union Preferred Stock Fund; 50,000 shares of Union Bond Fund "A"; 150,000 shares of Union Bond Fund "B"; and 200,000 shares of Union Bond Fund "C." **Underwriter**—Lord, Abbett & Co., Inc., New York, is selling agent. Price based on market. **Proceeds**—For investment. **Business**—Investment business.

Universal Corp., Dallas, Texas

Dec. 3 (letter of notification) 30,000 shares (no par) common to be offered to stockholders at $5 a share in the ratio of one share for each three shares held. **Underwriter**—Federal Underwriters, Inc., Dallas; and Trinity Bond Investment Corp., Fort Worth. For additional capital.

Utah Chemical & Carbon Co., Salt Lake City

Dec. 20 filed $700,000 15-year convertible debentures and 225,000 shares ($1 par) common. The statement also covers 105,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—By amendment. **Proceeds**—For plant construction, purchase of equipment and for working capital.

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.

• Vokar Corp., Dexter, Mich.

Dec. 24 (letter of notification) 16,000 shares of $1 par common. $3 a share. **Underwriter**—Mercier, McDowell and Dolphyn, Detroit, will market stock on "best effort" basis. For additional working capial.

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. (1/13-17)

Nov. 27 filed 1,200,000 shares ($1 par) capital stock. **Underwriter**—Dillon, Read & Co. Inc. 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 estimated at a minimum of $6,500,000 together with a $7,500,000 bank loan, toward payment of its promissory notes and to finance company's equipment and facilities expansion program now under way.

White's Auto Stores, Inc.

Aug. 29 filed 75,000 shares $1 cumulative convertible preferred stock ($20 par) and 50,000 shares common stock (par $1). **Underwriters**—First Colony Corp. and Childs, Jeffries & Thorndike, Inc. **Offering**—Company is offering 75,000 shares of preferred; the 50,000 shares of common are outstanding and being sold by four individuals for their own account. Price by amendment **Proceeds**—Proceeds from the sale of the preferred stock will be used to provide funds for a wholly-owned subsidiary, retire loans from banks and from White's Employees Profit Sharing Trust, and for additional working capital. Offering date indefinite.

Wisconsin Power & Light Co., Madison, Wis.

May 21 filed 550,000 shares ($10 par) common stock to be sold at competitive bidding. **Underwriters**—By amendment. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane; White, Weld & Co.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co., and Dillon, Read & Co. **Proceeds**—Part of the shares are to be sold by Middle West Corp., top holding company of the System, and part by preference stockholders of North West Utilities Co., parent of Wisconsin, who elect to sell such shares of Wisconsin common which will be distributed to them upon the dissolution of North West Utilities Co.

Wyatt Fruit Stores, Dallas, Texas

Nov. 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.

• Zero Frozen Foods Co., Inc., Bremerton, Wash.

Dec. 19 (letter of notification) 1,940 shares of 5% cumulative preferred and 200 shares of common. **Price**—$100 a preferred share and $250 a common share. No underwriting. For reinvestment in business.

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)

• Alabama Great Southern RR.

Dec. 31 company plans to sell early in January $1,520,000 equipment trust certificates. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Aluminum Co. of America

Dec. 20 common stockholders authorized issuance of 1,000,000 shares of a new class of preferred which will be junior preferred stock, pending retirement of all outstanding 6% cumulative preferred. Interest rates and other details of the new stock will be determined by the directors. It is reported company plans to offer in January the new series of preferred in exchange for the outstanding preferred. **Probable Underwriter** — The First Boston Corp.

• American Gas & Electric Co.

Dec. 30 Electric Bond & Share Co. will sell publicly any of the 846,985 shares of American stock not subscribed for by Bond & Share common stockholders under the divestment plan of E. B. & S. Sale expected in February. Probable bidders include The First Boston Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co.

Baltimore & Ohio RR. (1/6)

Company will receive bids up to noon Jan. 6 at Room 1304, 2 Wall St., New York, for the sale of $3,310,000 equipment trust certificates, to be dated Jan. 1, 1947 and maturing in 10 equal annual instalments of $331,000 each, on Jan. 1, 1948 to 1957. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler.

• "Big" and "Little" Inch Pipelines (2/8)

A renewed call for bids for the purchase of the Big Inch and Little Inch pipelines was issued Dec. 27 by the War Assets Administration. Robert M. Littlejohn, WAA administrator said the pipelines were being reoffered for sale immediately for use in the transportation of petroleum and its products or natural gas or a combination of both. The deadline for bids will be Feb. 8, 1947. The proposals will be publicly opened on Feb. 10. The lines are being operated at present for the transmission of natural gas by the Tennessee Gas & Transmission Co., under an emergency lease granted by the government at the time of the recent coal strike. In response to the earlier call for the bids the WAA received 16 proposals to buy or lease the lines. On Nov. 19 Mr. Littlejohn disclosed that all the bids had been rejected, explaining that none of them guaranteed to the government "what I consider a fair price."

• Brand & Oppenheimer, Inc.

Dec. 27 reported registration of 30,000 shares 5% cumulative preferred stock (par $20) and 96,500 shares of common stock expected at an early date, with Gearhart & Co. and Townsend, Graff & Co. as underwriters.

Chicago St. Paul Minn. & Omaha Ry. (1/8)

Bids for the purchase of $1,020,000 equipment trust certificates, to be dated Feb. 1, 1947, due Feb. 1, 1948-1957, or 1962, will be received up to 12 noon (CST) Jan. 8 at company's office 400 West Madison St., Chicago 6, Ill. The successful bidder is to specify the dividend rate in multiples of ⅛ of 1%. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Brothers & Hutzler.

• Cincinnati, New Orleans & Texas Pacific Ry.

Dec. 31 company plans to issue early January of about $1,700,000 equipment trust certificates. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Gas Service Co.

Dec. 30 the SEC cleared the way for the merger of Kansas City Gas Co. and the Wyandotte County Gas Co. both subsidiaries of Cities Service Co. The merged company will be known as Gas Service Co. Gas Service will issue to its parent, Cities Service Co., 850,000 shares ($10 par) common and proposes to borrow $16,000,000 to retire outstanding securities of the constituent corporations and to add to its general funds.

• Pennsylvania Power & Light Co.

Dec. 30 Electric Bond & Share Co. will sell publicly any of the 1,164,375 shares of Pennsylvania not subscribed for by E. B. & S. common stockholders under its divestment plan. Sale expected in February. Probable bidders include The First Boston Corp., Kidder, Peabody & Co.

• Public Service Co. of New Mexico

Dec. 30 company is considering a program to refund outstanding bond issues of four of its constituent companies. This is disclosed in an application to the SEC for permission to borrow $1,000,000 from banks to finance part of its construction program during 1947. Details of the proposed refundings, as well as the bank loan, will be given in a separate application to be filed with the Commission.

• Seaboard Air Line RR.

Dec. 31 reported directors planning to give consideration to the question of reducing amount of 50-year first mortgage 4% bonds outstanding and refunding the balance. Directors, it is stated, might consider paying off as much as $12,500,000 of the issue and refunding the remaining $20,000,000 outstanding. Probable bidders include Dillon, Read & Co. Inc.; Blair & Co.; Halsey, Stuart & Co. Inc.

• Southern Pacific Co. (1/3)

Bids will be received until Jan. 3 (noon) by company at 165 Broadway, New York, for lowest rate at which bidders will provide $4,981,000 financing purchase of certain equipment to be sold under two conditional sale agreements.

• Strawbridge & Clothier

Dec. 27 company is offering to holders of its 6% prior preference stock, series A, the right to exchange their holdings for $5 cumulative preferred on a share basis, plus a 70-cent cash adjustment. The offer expires Jan. 30. Any unexchanged shares will be redeemed at $105 and accrued dividends.

Foresees No Change in Bond Market

Halsey, Stuart & Co. Inc., in year-end survey, holds situation seems to present a favorable outlook for investment market and "investors can look forward to 1947 with confidence."

In its "Year-End Bond Survey," the investment banking firm of Halsey, Stuart & Co. Inc., after reviewing the general investment situation over the past year, takes the view that a change in the bond market is not expected and the supply of investment bonds of all classifications in 1947 is likely to approximate the supply in 1946, so that investors can look to the coming year with confidence.

"Prices at the end of the year are lower than in January, but during the year new highs were established. The market has been orderly and new bond issues generally were marketed satisfactorily with demand strong as the year closed," the survey states.

Commenting on the government bond market, the survey adds: "during the first quarter of the year the government bond market was comparatively strong. Important factors contributing to this strength were: (1) the knowledge that the Victory Loan was the last of the War Loan Drives and that additional large flotations of new government issues would not be forthcoming, (2) an improved budgetary outlook and (3) the expectation that the Treasury would confine whatever financing it did to the short-term market. Early in April, however, the transfer of funds from commercial banks to the account of the Treasury at the Federal Reserve banks, in connection with government reduction operations, put pressure on the reserve position of the member banks. This and other developments were reflected in a sharp break in the government market during April with a resulting adjustment upward in yields on government bonds. At the close of the year, prices of intermediate and longer-term government issues were generally lower than the levels prevailing at the beginning of the year."

Municipal Market Active

Altogether, the municipal market gave a fair account of itself in 1946. Prices continued the upward trend which started in October, 1945, reaching an all-time high in April, 1946. From that point the price trend has been downward.

Among the changed and changing factors in the municipal picture are these: (1) the five-year trend of a declining supply of bonds has been reversed; (2) voters authorized $850,000,000 of bonus bonds in November; (3) the calling of war-loan deposits, which took many banks out of the market during 1946, is not likely to be a factor in 1947.

The decline of almost $4 billion in outstanding State and municipal bonds during the war years continues to be a strong backstop for the market. Bonus bonds already voted and projected will eventually work off a part of that decline, but it is hoped now that they will come to the market gradually.

Utility Outlook Favorable

The opinion is expressed that the "shift toward a more conservative policy in Washington is encouraging for the utilities, which have been one of the principal targets for regulation and reform. It can mean a change in the trend toward public ownership which has been under way for more than a decade. Although antagonism to private operation still prevails in certain quarters, there is hope that the new Congress will resist pressure for poorly conceived social schemes. The position of public utility bonds among prime investments was further strengthened during 1946 by the high degree of stability which characterized their market throughout the year."

Railroad Bonds Under Pressure

In the general readjustment which occurred in the entire bond market last Spring, railroad issues were subject to special pressure. The survey observes, however, that there are "certain favorable factors in the background which give a brighter outlook to the future of rail issues. The remarkable reduction in recent years in debt and fixed charges, the improvement in physical condition, operating efficiency and motive power are well known. A continuation of a high level of industrial activity would do much to clarify the outlook for earnings and to remove the uncertainty which has been overhanging the market for railroad bonds in recent months."

Industrial Financing Active

"The volume of both new capital and refunding industrial financing in 1946 showed an increase over the preceding war years, but a substantial part of it was obtained through serial bank loans, private placements, or publicly offered preferred and common stocks. New capital public financing approximated $2 billion, of which about 50% was obtained through the sale of bonds, the balance through the sale of preferred and common stocks. The market experience of much of the equity financing was disappointing. Most of the more substantial industrial bond issues that were available to bond buyers were of high quality and moved within a narrow range marketwise."

World Bank May Enter Market

"A new means of foreign financing in this country was provided with the establishment of the International Bank of Reconstruction and Development, commonly referred to as the World Bank. This institution may make loans from its own capital, from the proceeds of bonds guaranteed by the Bank and from proceeds of bonds issued by the Bank itself. There is little question that the Bank will have to raise a substantial part of its funds in the American market. While applications for loans from the Bank so far have been few, it is reported the Bank may attempt to enter the American market early in 1947."

Change in Bond Market Not Expected

The Survey points out that with a national debt close to $260 billions, Treasury policy is expected to be the most important factor affecting interest rates. Despite some pressure upon the Treasury for relaxation of its low-interest-rate policy, indications at this time are that present interest rates will continue with minor change. The supply of investment bonds of all classifications in 1947 is expected to approximate the supply in 1946. Against this supply the demand is expected to continue. Concluding the Survey states "since the situation as outlined seems to present a favorable outlook for the investment market, we believe that investors can look forward to 1947 with confidence."

Our Reporter's Report

The investment banking industry closed the old year in a much better mood than that which prevailed for a time following the summer-end Labor Day holiday. And with good reason.

For the debris left in the wake of the market's sharp decline through September and October, had been pretty well cleared away and the stage set for a resumption of normal business once the turn into the year has been made.

The early fall found the banking fraternity faced with a series of problems growing out of the rush to market new equity securities, many of them for issuers none-too-well seasoned.

Many firms found themselves in a position where a good part of their capital was tied up in such securities and their operations consequently limited.

But that is now water over the dam and the closing of the records for 1946 finds underwriters and their dealers with only a smattering of unsold merchandise in stock.

Unquestionably some losses were taken on unseasoned securities which piled up in large order during the record-breaking summer outpouring. But such costs have been absorbed where necessary and the books closed.

The reception accorded the final few issues of 1946, as for example, Eastern New York Power Corp.'s $9,861,000 of 3¼s of 1961, and Pittsburgh, Bessemer & Lake Erie Railroad's $12,000,000 of 2⅞s, due 1966, indicated the market to be in good shape and unburdened by undistributed issues.

Sydney Council Bonds

The final issue of the year, was brought to market on Monday this week in the form of $8,500,000 of 10-year serial 3½% bonds, due Jan. 1, 1957, of the Sydney County Council (Australia).

Priced at 101 and accrued interest, this issue represented the first financing in the American market by an Australian political subdivision since before the war, and was well received, according to dealer reports.

Proceeds will be applied to redemption next month of $8,170,000 of City of Sydney 5½s, due 1955 at par and accrued interest, but the latter bonds may be used in lieu of cash in making payment for the new issue, and will be credited with a price of 102.468 if so tendered.

Bond & Share Divestment

There are indications now that Electric Bond & Share will be an early candidate for competitive banking bids for holdings in certain of its subsidiaries by way of meeting the requirements of the "death sentence" clause of the Holding Company Act.

Reports indicate the company is planning to dispose of its holdings of 846,985 shares of common stock of American Gas & Electric Co. and 1,164,375 shares of Pennsylvania Power & Light Co., perhaps in February.

The shares will be offered preferentially to Bond & Share common holders at prices well below prevailing market levels. Any stock not taken under such offering will be sold publicly through competitive bidding.

DIVIDEND NOTICES

FLEMING-HALL TOBACCO CO., INC.

Dividend No. 5 on Preferred Stock

Directors of this Corporation have declared the regular quarterly dividend, the fifth consecutive dividend paid, of fifteen cents (15c) per share on the 6% Cumulative Preferred Stock, payable January 15, 1947 to stockholders of record at the close of business January 5, 1947.

FLEMING-HALL TOBACCO CO., INC.
By S. C. Korn, *President and Treasurer*

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 25¢ per share and an extra dividend of 25¢ per share on the outstanding Common Stock, payable on February 1, 1947, to stockholders of record on January 11, 1947. The transfer books will not close.

THOS. A. CLARK, TREASURER
December 26, 1946.

DIVIDEND NOTICES

Manhattan Bond Fund, Inc.

The Board of Directors of Manhattan Bond Fund, Inc. has declared Ordinary Distribution No. 34 of 8 cents per share from regular investment income and an Extraordinary Distribution of 4 cents per share from realized security profits payable January 15, 1947 to holders of record as of the close of business January 4, 1947.

HUGH W. LONG and COMPANY
Incorporated
National Distributors
48 Wall Street, New York 5, N. Y.
Chicago Los Angeles

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 124

A cash dividend declared by the Board of Directors on Dec. 18, 1946, for the fourth quarter of the year 1946, equal to 2% of its par value, will be paid upon the Common Capital Stock of this Company by check on January 15, 1947, to shareholders of record at the close of business on December 30, 1946. The Transfer Books will not be closed.

E. J. BECKETT, *Treasurer*
San Francisco, California

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

The Chase National Bank of the City of New York has declared a dividend of 40¢ per share on the 7,400,000 shares of the capital stock of the Bank, payable February 1, 1947 to holders of record at the close of business January 3, 1947.

The transfer books will not be closed in connection with the payment of this dividend.

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK
W. H. Moorhead
Vice President and Cashier

Nation Well Off Despite Liabilities: Heimann

Credit Men's executive holds assets of country make it a good credit risk, although there are a forbidding list of liabilities, such as global chaos, low productivity, inflation, and "expediency policies" of government. Foresees no economic loss from consumer resistance to rising prices.

An analysis of the nation's balance sheet, as we approach the new year, would show that though the liabilities are tremendous, they are sufficiently outweighed by the assets to make the country a good risk in 1947, Henry H. Heimann, Executive Manager of the National Association of Credit Men, states in an appraisal of the Nation's business future.

Henry H. Heimann

"A credit executive would feel that the institution he was reviewing was deserving of credit; he would know of its past performances and its financial character throughout its history; he would not consider it a marginal account. However, he would watch it day by day and would guide and counsel it and help it to achieve a better financial condition. That," says Mr. Heimann, "is exactly the responsibility of the American citizen."

In a forbidding list of liabilities Mr. Heimann includes:

Global chaos: "The problem that faces business is one of a sound recovery for the welfare not only of our own people, but also, more important still, of the world."

Low productivity: "If both management and union labor officials value their leadership and intend to preserve it, they must discharge their responsibilities with due consideration for the welfare of the general public."

The "something-for-nothings": "These are the people who desire security without being willing to admit the necessity of earning it. This liability can only be liquidated by a determined government policy."

Lower standards of ethics: "There is no use in hiding our heads in the sand like ostriches and not recognizing it. It is particularly true in certain public service institutions. For example, the practice of bribing one's way into accommodations or conveniences is still widespread."

Coming business failures: "The best that can be done in this respect is a thorough educational program, pointing out the dangers of venturing into business without capacity for management or adequate financing."

In addition to the more obvious liabilities, Mr. Heimann lists some of the hidden liabilities that appear on the nation's balance sheet:

The "easy-money policy" that has distorted people's ideas of the value of money and retarded the desire to exercise thrift.

The persisting inflation in real estate and stock prices.

The "expediency policies" of the government.

The dire need for a conservation program.

The sectional thinking of the people; the need for men who will think in terms of the whole country instead of one particular part of it.

The decline in spiritual values.

The asset side of the balance sheet, however, shows that the picture is not entirely dark. Among our current assets Mr. Heimann includes:

Productive capacity: Though the desire or incentive to produce is weak, our capacity is enormous. "The demand for goods, though over-stated in many lines, is nevertheless larger than it has been in years. If this demand is supplied, our great productive capacity will be a tremendous asset."

The nation's credit: "At the present time we are the only nation that can really afford to export capital, goods and food. If we use credit in this respect with discretion we will do much to stabilize the world."

The nation's confidence: "We have a confidence born of our participation in the war. Most of our young men are anxious to get started. If they receive recognition and their efforts are appreciated they will pull this nation through. They have demonstrated their ability in the war in a convincing manner."

Better government policies: "There has been a hint of a return to the qualities of statesmanship we would like in our public officers. While our previous actions have been listed among our liabilities, the recent trend can be listed as a possible asset."

Agriculture's well-being: "We will have a good agricultural market for at least two years."

The attitude of the working man: "The rank and file of labor is just beginning to demand an accounting of its own officials. They recognize the value of unionization, but they are beginning to assert their demands for a responsible leadership. Their aim and objective is work at satisfactory wages and they are more and more putting forth this point of view. Strikes among the rank and file of labor may not be as popular in 1947."

Consumer resistance: "Some may consider this a liability, but in reality it is one of the best assets we have as we move into the new year. It forces production to a competitive basis and that situation is desirable at any time."

Concluding his evaluation of business conditions, Mr. Heimann points out that the United States must supply the wants of the people all over the world in a way that will be helpful and not harmful. "This situation, a tremendous liability abroad, can be both a spiritual and a business asset for this nation. Leaving out the business value of our meeting this responsibility, the spiritual satisfaction that will come through helping our fellow men will make our very best efforts exceeding worthwhile."

Charge of Unfair Labor Practice Brought by UFE Against Third Wall St. Firm, A. M. Kidder & Co.

The attempt of the United Financial Employees to organize the various brokerage houses in New York's financial district is resolving itself more and more, it would seem, into a legal battle. The union now has filed with the State Labor Board charges of unfair labor practice against a third brokerage firm, A. M. Kidder & Co., with which, unlike the other two cases, it is in the very midst of negotiations for a contract.

In the middle of October, before it had joined the AFL, the UFE won a State Labor Board election among the employees of A. M. Kidder & Co., 76 to 64. Of 150 who were eligible to cast ballots at the time, too, six did not vote. The union charges now that A. M. Kidder & Co. is guilty of unfair labor practice because, while negotiations for a contract are actually in progress, it has laid off some union members. Apparently, quite aside from the justice or injustice of the firm's action, the union is afraid that by such tactics it will lose its somewhat slim margin of strength in its representation of the employees.

The union has filed two other complaints of unfair labor practice with the State Labor Board, one against White, Weld & Co. for dismissing union members, including officers, while the union was in the act of organizing the employees of the firm, and the other, the oldest case of the three, dating back to September, but still unsettled, against Harris, Upham & Co. in which the union alleges unfair labor practice on the grounds of interfering with the free choice of employees in an election which the union lost, 115 to 197.

Meanwhile, the union is proceeding with elaborate plans for the further organization of the employees of Wall Street's brokerage houses. Although admitting somewhat reluctantly, its rival, the United Office & Professional Workers of America, CIO, is making some slight headway in the "Street," the UFE still feels that it is the most important union operating in the financial district. The UFE does hold contracts with both the New York Stock Exchange and the New York Curb Exchange but it has yet to conclude its first contract with a brokerage house or bank. With the single exception of the election at A. M. Kidder & Co., the union has lost every election among brokerage employees which it has called. In September when its big push for members and contracts was on, the union lost two other elections besides the one at Harris, Upham & Co., one among the employees of Carl M. Loeb, Rhoades & Co., 67 to 272, and the other at the Empire Trust Company, 97 to 174.

The UOPWA has announced that it has concluded an agreement with Lawyers Title Corporation of New York, providing for a general \$6.50 salary increase, a two-hour reduction in hours (from 37 to 35 per week), and a new minimum starting salary of \$30.70 per week. The new contract also calls for setting aside 1% of the total payroll for adjustment of salary inequities in individual cases where different rates are being paid for identical work.

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