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The Economic Outlook for 1947

By EMERSON P. SCHMIDT*

Director, Economic Research Department
Chamber of Commerce of the United States

Asserting it appears boom conditions of 1946 will continue through this year, Dr. Schmidt cautions against over-optimism on ground mass economic behavior cannot be predicted. Contends success of wartime price control is deceptive and decries adverse encomiums heaped upon business since V-J Day. Concludes 1947 should see less government controls, less bungling, fewer strikes and more goods of superior quality, but without the country going "reactionary. Sees businessmen having heavy tasks ahead, with piecemeal adjustments and shortage of industrial capital in offing.

About two weeks after V-J Day, when the most vocal government spokesmen in Washington were predicting collapse and mass unemployment by Christmas and in the winter of 1945-46, I stated cautiously before the Senate Finance Committee "a great boom is pending." (Hearings S. 1274, p. 521.) Now it appears that the boom will continue and expand through 1947.

Dr. E. P. Schmidt

Yet prediction is hazardous. One of the leading bank letters [illegible] makes a fore[illegible] each December underestimated [illegible]ber 1945 the national income for 1946 by 29%—a forecast worse than useless. Its forecasts of wholesale and retail prices were off by one-seventh and one-

(Continued on page 164)

*An address by Dr. Schmidt before the Chicago Economic Club, Chicago, Ill., Jan. 8, 1947.

The Closed Shop—Its Economic Significance and Legal Status

By THOMAS J. ANDERSON, JR.

Associate Professor of Economics, New York University

Professor Anderson maintains closed shop—representing age-old problem of economic monopoly, and additional source of union power—demands foremost public consideration. Holds either *laissez-faire* or proclosed shop policies are inimical to general welfare. Advocates complete prohibition of closed-shop agreements, in lieu of treatment as regulated monopoly. Estimates effects on mobility of labor, wage differentials, wage-rate inflexibilities, employment, labor productivity, industry concentration, and general economic well-being.

The problem of revising American public policy on labor relations is outstanding among those problems which are discernible at the moment for 1947.

The closed-shop agreement is high on the list of leading union practices which should—and, no doubt, will—receive much consideration in connection with any fundamental changes in labor relations policy.

T. J. Anderson, Jr.

The closed-shop problem, of course, is not a recent or even a modern one in its economic fundamentals; it is the age-old problem of monopoly in the economic system. The principle of the closed shop—exclusion of all except members of an organization from a labor market—was a basic feature of the medieval craft guilds; was found in colonial America; and has been favored by many labor organizations since adoption of the Constitution.

With the recent great increase in the number, membership, and power of American unions, however, their employment of the closed shop as an additional source of power merits careful consideration.

Closed Shop and Union Shop

Before noting the prevalence of the closed-shop principle in present-day employment practice it is well to distinguish the closed shop from the union shop. As employed in the "Labor Information Bulletin" (March-April, 1946) of the United States Department of Labor, the term "closed shop" is applied to arrangements under which the employer can hire *only* members of the union, who must remain members in good

(Continued on page 146)

The Housing Problem—Its Cause and Cure

By HAROLD J. KING

Staff Member, Babson Institute of Business Administration*

Dr. King refutes theory housing shortage arises from failure of living facilities to keep up with population. Ascribes shortage to increased demand for more ample living quarters because of higher incomes, and contends rent controls not only intensify this demand, but also impede new construction. Says landlords, because of their political weakness, are exploited and must accept less than market value for use of their properties.

Harold J. King

Of the postwar economic problems remaining, the most urgent, in the thinking of many Americans, the housing dilemma, appears far from solution, although hostilities ceased a year and a half ago. The persistence of the "disease" casts doubt upon the validity of the remedies being used. It is true that the housing problem may "solve itself" in time, either because of, or in spite of, the current emergency housing programs of the government. Prompt solution, however, would seem dependent upon an accurate diagnosis of the trouble.

A passive attitude, that the current housing difficulties besetting the nation, and the misery attendant thereto, were inevitable be-

(Continued on page 144)

Opinions expressed are the personal ones of the writer.

The Urgent Crisis of French Franc

By EGON KASKELINE

Political economist cites efforts to bring about soundness by strictly supervising foreign commerce, increasing production, stopping tax evasion and reforming budget. Nevertheless budget remains unbalanced, state borrowing is increasing, and prices are rising sharply. Hence he concludes that although there will be no franc devaluation immediately, a new reduction of the external rate is inevitable in the long run.

Once again France is in the grip of a serious financial crisis. Once again rumors that the Franc will be devaluated in the near future are circulated inside and outside the country.

The French financial situation is critical as, in order to cover its large budget deficit, the French State is borrowing increasing amounts from the Bank of France. Currency circulation, therefore, has been rapidly going up during the last weeks and months.

Egon Kaskeline

The value of the Franc in terms of internal purchasing power is decreasing, as indicated by the upward trend of prices and the high rates paid for "hard currencies" on the "black market."

However, the French Government will very likely be able to defend the foreign exchange rate of the Franc for some time to come. There will probably be no *immediate* devaluation of the Franc although, if the internal Franc crisis is not retrieved, a new reduction of the external Franc rate will be inevitable *in the long run.*

At present, France still owns substantial assets consisting of gold, foreign currencies and securities abroad, which today may amount to \$1,500,000,000-\$2,000,000,000 and can be used to defend the Franc. After the war, the French reserves abroad were estimated at more than \$4,000,000,000 but at least 50% of the original assets were utilized to buy food, raw materials and equipment. The French Government is trying to use its remaining reserves abroad thriftily. The French have obtained large foreign loans, especially from the United States. They have also been artificially stimulating their exports in order to reduce considerably the deficit of their balance of trade. Other economic relations with the outside world are also being controlled by the authorities.

New Outside Credits Doubtful

Yet the French cannot hope to receive new reconstruction credits from the outside world, if they fail to take drastic measures to balance their budget and to halt inflation. The financial decisions taken by the new Socialist Government of Mr. Leon Blum and adopted by the National Assembly appear to be inadequate to attain this objective. The crisis of the Franc is likely to continue.

Franc's Purchasing Power Decreasing

In terms of internal purchasing

(Continued on page 158)

Employment Stabilization and the Guaranteed Annual Wage

By A. M. SAKOLSKI

Dr. Sakolski traces recent movement for "guaranteed annual wage" and points out its inadaptability to competitive industry. Cites views of Henry Ford, 2nd, Ira Mosher and Sir William Beverage, and notes efforts of NAM and others to substitute employment regularity as a means of steady employment. Holds attempts at widespread enforcement of guaranteed annual wage may lead to destruction of private competitive enterprise, elimination of small business, and finally to statism.

Since the CIO has dominated the labor scene, the tenet of the guaranteed annual wage has been gradually gaining ground and in recent months, despite its apparent impracticability in competitive industry, it has been given some serious consideration. Both Henry Ford, 2nd, and Ira Mosher of the National Association of Manufacturers have lately discussed the problem, and it has also found its way into official deliberations of those who have been shaping our national labor policies. Thus, on Sept. 16 in an address before the Economic Club at Detroit, Mr. Henry Ford, 2nd, made the following statement regarding this question (see "Chronicle," Sept. 19, 1946, p. 1454):

A. M. Sakolski

"The idea of steady employment is sometimes discussed these days under the title "The Guaranteed Annual Wage." In a great many ways this seems to me a poor choice of words. It is misleading. It comes a little too close to being a political phony. It suggests that someone is in a position to guarantee an anual wage and is merely refusing to do so. I doubt very much whether the American wage earner really believes that anybody can guarantee security in this world. What he really wants is steady employment at a fair rate of pay.

"This normal human desire on the part of our employees for greater stability in their jobs is a challenge to mass production management. The production record during the first year of peace has turned the spotlight on some of the great difficulties to be overcome. We at Ford Motor Company are certainly not today in any position to 'guarantee an annual wage.' But progress toward

(Continued on page 156)

INDEX

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Economic Background Of 1947 Bond Market

By RAYMOND RODGERS*

Professor of Banking, New York University

Characterizing 1946 as "the year of locusts," Dr. Rodgers cautions against expecting immediate elimination of business handicaps because of Republican victory. Holds first hurdle is to bring about wage stabilization and argues that high wage demands are not likely to be successful. Sees an unhealthy inventory situation in industry and a need for serious adjustments in present price structure. Holds prices cannot be figured on present costs, and that future of business will depend largely on government fiscal policy. Concludes, 1947 ought to be a good year "for those who can withstand a return to real competition."

Raymond Rodgers

In a very old book, which we call the Bible, one of the parables characterizes a period as "the years that the locust hath eaten." So, in my opinion, will historians characterize the year which has just passed. Both labor and capital will have cause to look back on 1946 as the year of lost opportunities. Instead of rising to the great challenge, labor sowed an economic "dragon's brood" and capital, too, sowed seeds of economic error which will rise to plague us in the

(Continued on page 166)

*Address by Dr. Rodgers before Savings Bank Bond Men of the State of New York, New York City, Jan. 8, 1947.

Price Control in the Securities Field

NASD 5% yardstick a significant evil in the securities field. Profit motif ignored. Creates conflict between Main Street and Wall Street, which intelligent finance will oppose as detrimental to cause of capitalism. SEC opinion quoted. Trade custom and usage improperly changed by fiat of interpretation. Congressional opportunity to prevent control of spreads and profits.

One of the significant evils in the securities field was created by the 5% spread yardstick enunciated through the National Association of Securities Dealers as an interpretation.

This fiat on spreads which establishes an OPA in the securities business has encountered our constant opposition.

Among other things, it completely ignores the profit motif in business and tends to establish a conflict of Main Street vis-a-vis Wall Street.

Since it is axiomatic that the larger firms doing a volume business can go in for smaller mark-ups, it seems absurd to hold the smaller firms to the same price standards.

Both the SEC and the NASD contend that the 5% yardstick does not attempt specifically to define what constitutes a fair spread or profit.

We quote from the pertinent opinion of the Commission in the Matter of the Rules of the National Association of Securities Dealers, Inc., dealing with the letters that estab-

(Continued on page 168)

Britain Favors Multilateralism

By PAUL EINZIG

Dr. Einzig notes Sir Stafford Cripps' pronouncements in favor of multilateral trade and contends this departure from former policy of bilateralism arises from accumulation in Britain of frozen continental currencies. Says Britain has favorable trade balance with Continent, but needs dollar exchange, and is seeking a way to convert "soft" continental currencies into dollars. Foresees European trend toward multilateralism under British leadership.

BASLE, SWITZERLAND.—On recent occasions, Sir Stafford Cripps, President of the Board of Trade, pronounced himself strongly in favor of multilateral trade. This emphasis on the advantages of that system is certainly a new departure on the part of government spokesmen. Until recently the official attitude was decidedly in favor of bilateral and regional trading, and the British Government was expected to lead, at next year's Geneva Trade Conference that school of thought which is opposed to multilateral trade. While under the Washington Loan Agreement Britain is committed to the principle of non-discrimination, it was fully expected—even on the basis of the experience of the recent London Trade Conference—that the British Government would fight to the last to retain the right of quantitative discriminations leading to bilateralist trend in international trade.

Dr. Paul Einzig

And now we are told by Sir Stafford Cripps that Britain's salvation lies in a return to multilateralism. Even though he belongs to the Free Trade wing of the government, he would not have made a statement indicating such a fundamental departure from the policy hitherto pursued, without the approval of the Cabinet.

The explanation lies probably in the fact that while Britain is accumulating frozen claims on the continent she is unable to receive dollars and other "hard" currencies. The British export drive, though an outstanding success from a statistical point of view, has been therefore a failure from the point of view of Britain's liquid external resources. The remedy would be, of course, the restoration of the convertibility of continental currencies, so that the proceeds of the British export surpluses to the continent would be converted into dollars.

Evidently, Sir Stafford Cripps advocates multilateralism not for British consumption but for continental consumption. He might as well advocate fair weather, good health, prosperity and everlasting happiness for all. Everybody is in favor of all this, but they cannot be brought about by merely being in their favor. Nor can convertibility be brought about by merely deciding that multilateralism is preferable to bilateralism. The gold reserves of most continental countries are down, and are drawn upon very sparingly, to pay for indispensable imports which can only come from "hard currency" countries, now that American direct aid is being cut down, and the Export-Import Bank has almost exhausted its facilities.

It is true, the International Monetary Fund will begin its operations in March 1947, and its object is precisely to place hard currencies at the disposal of poor countries in order to enable them to play the multilateralist game according to the rules. But no exaggerated importance should be attached to this factor in the situation. Although the total resources of the Fund are substantial, the quotas of the smaller countries are not very impressive and in any case they cannot be drawn upon at once. It seems highly probable that the poor countries will reserve these quotas, as they are reserving their gold reserves, for purchases from "hard currency" countries. For one thing, the Fund charges usurious interest on its facilities, and no government is likely to assume such costly commitments merely for the sake of converting Sir Stafford Cripps' frozen balances into dollars.

It is well to bear in mind that under the Bretton Woods Agreement member countries are under no obligation to restore the convertibility of their currencies till 1952, and even then their obligation is not absolute. Britain, on

(Continued on page 160)

BUSINESS BUZZ

"Now I Hope You're Satisfied, J. C.—You and Your *—*—* Oil Can!"

The Past Year in Municipals

By LOUIS S. LEBENTHAL
Senior Partner, Lebenthal & Co.

Commenting on rise in average yield of municipal bonds from 1.29% to 1.91% from April to December, Mr. Lebenthal points out that in view of large amount of investment funds available market in municipals has overdiscounted increase in their supply as well as expected tax reductions. Predicts passage of Boren Bill and notes not a single municipal bond default in 1946.

A review of the year 1946 in Municipal Bonds is important when prices are compared with that of previous years. For the greatest part, in recent years, prices have continuously risen. However, according to the "Bond Buyer's" Index of Municipal Prices, from April of 1946 until the middle of December, price averages declined showing increased returns from a 1.29% yield, the highest average of all times, to 1.91% basis. For a 20-year maturity of a 4% bond this meant about a 13-point decline or $130 per bond.

Louis S. Lebenthal

The year started with an average yield of 1.42 and closed at a 1.90 return. During the declining market, which was gradual, the dealers were reluctant to buy bonds or sell to their clients. For at no point, until the $46,000,000 issue of Pennsylvania Turnpikes was successfully distributed, did the market stabilize and did it appear that the decline had reached its bottom. During the middle of December, the course for future prices had been more clearly charted and we found demand resulting in increased prices.

From a United States department survey it was found that the various states were contemplating soldiers' bonus issues which would result in about $1.1 billion of bonds within the next five years. The survey showed that future municipal improvements, large and small, will amount to less than $4,500,000,000 of public works and consequently the issuance of

(Continued on page 169)

Washington... And You

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

During opening days, Congress has shaped up about as expected. Major exception was drafting of Texas Democrat Rayburn, last Congress Speaker, as Democratic leader in the House. That will strengthen but at the same time will make more honest, more constructive, more productive the critical opposition to Republican operations stemming normally from Democrats as a minority party. Rayburn is a politician of proven ability, but he's likewise a patriot. Democrats will follow him more happily than Massachusetts' McCormack, originally slated for Rayburn's job.

* * *

Republican organization of Congress left anticipated scar tissues. Presidential ambitions for 1948 were involved, still are. Through the session, Republican reforms will be pinned down by crossfire of White House hopefuls.

* * *

In the Senate, early showdown between Ohio Republican Taft and Maine Republican White is scheduled. Taft wants to be President, as head of the Steering Committee is trying to promote his candidacy by publicly bossing Senate Republicans. That public job nominally belongs to Republican Floor Leader White. Quiet, colorless, but competent and experienced, Mr. White won't be content long to function as Taft's shadow.

* * *

Big question is whether from this hodgepodge of GOP political ingredients will emerge a Republican adroit enough to force the sublimation of personal ambitions to party harmony and national welfare. Best bet is—No.

* * *

The usual batch of cockeyed bills have been conceived and dropped into the Senate and House hoppers. Of every hundred, 99 are worth no consideration. They can be scratched off as political dandruff. It will be many days, maybe weeks, before proposed legislation which really has any chance of enactment gets consideration. And you can mark down that most measures finally reaching a vote will bear the names of Republican authors.

(Continued on page 167)

Unionism—Enemy of Labor!

By LEONARD BLOCK

Drug manufacturer declares that unionism has exploited rank and file of working people. States union successes in raising wages have not raised aggregate pay, but only distribution thereof—to the detriment of the unorganized. As cures for such inequalities he proposes: (1) elimination of pressure exploitation by well organized unions; and (2) establishment of a sound wage policy universally applicable to all working people.

The strikebreaking practices employed in the early coal strikes and the malpractices of a few big employers in less distant years, nurtured an opinion in the public mind that is difficult, even in these days of paralyzing industrial strife, to change or remove.

Leonard Block

Virtually everyone — even among the iron-jawed reactionaries — "believes" in unionism "in principle"; admits collective bargaining, with union leaders on one side and management on the other, is a proper and democratic procedure.

This belief is wrong. It is a conception that has been colored by emphasis on local issues, activated by man's instinct to "take sides" in a battle. Because there are more little people in the world than there are chiefs or barons of management, more "opinion" has adhered to the side of the unions. But unionism, as it operates today is **unfair to labor!** It results in a bad economy that is bad for the people and bad for the country as a whole. Its victories do **not** result in the greatest good for the greatest number.

Unionism the Exploiter

Unionism has built a second exploiting class whose pressures result in inequities and discriminations at the expense of the rank and file of working people in general.

This reasoning is not the result of ire at the records of racketeering in some unions; nor is it inspired by impatience and disgust with undemocratic and coercive practices in others. The indictment includes all unions — even the "good" conservatives like the Railroad Brotherhoods and the Typographical organizations. And

(Continued on page 172)

Observations . . . .

By A. WILFRED MAY

BYRNES' LEGACY TO MARSHALL

Germany—Pawn in Intra-Allied Struggle

The Moscow Conference, taking place two months hence, can scarcely be considered a mere item of "unfinished business" left by the departing Mr. Byrnes. Likely to last two years—as forecast by the resigning Secretary to President Truman—the coming attempt to determine the future of Germany will constitute the actual Peace Conference applicable to World War II. If the world is to have any semblance of genuine peace, there must be real *agreement* there, in lieu of the previous *settlements* reached regarding other European and Asiatic areas, which have constituted nothing more than the "best deals attainable."

A. Wilfred May

Even so, it must be realized that the Moscow proceedings will not follow the traditional technique of Peace conferences, where the victors settle with the vanquished enemies; but the climactic airing of the German situation will rather represent an attempt of the victorious Allies to adjust their own "within-the-family" struggle for power.

The immediate difficulty lies in the effort to reconcile the undertakings of the Potsdam Agreement, signed Aug. 2, 1945, with the present political and economic exigencies facing the Big Powers. The tightrope which the signatories there made for the United Nations to traverse, on the one hand attempts to safeguard future peace against Germany's ever being in a position to attack her neighbors, necessitating destruction of her war potential. On the other hand, other measures were instituted for preventing her destruction or dismemberment, because of the need for an economy recovered sufficiently to feed, clothe and house an efficiently-working people (albeit below the living standards of other western and central European countries). By way of further compromise, Potsdam also provided that Germany make reparations through surrender of existing goods and equipment, and of credits abroad, although payments lasting over a long period were barred.

This program of course reflects an age-old dilemma, namely: to forestall the danger of warmaking, and at the same time avoid economic paralysis resulting in extreme poverty and civil disorder. Thus, as the year-end report of the Colmer Committee (House Committee on Postwar Economic Policy) very clearly points out, the "objective in administering the economic affairs of Germany is to make that country self-sustaining, without at the same time permitting it to threaten the peace of the world." We are becoming increasingly conscious of our material self-interest in stimulating Germany's renaissance, to lighten the huge relief burden on American taxpayers—estimated at $200,000,000 per annum in the U. S. zone, plus a comparable sum loaned by us for relief purposes in the British and French zones.

War-making proclivities theoretically could be effectively controlled by institution by the Allied countries of a system of direct inspection and by continuing control of imports of strategic materials; but it would be only a matter of time until these steps, which theoretically could effectively prevent the German war machine from rising again, would become inoperative because of the psychological factor of the victors' "war-weariness."

Intra-Allied Diplomacy

Another obstruction preventing such a continuing safeguard is the intra-Allied status. For, as will be epitomized by the Moscow

(Continued on page 170)

Sullivan Joins Staff of J. Walter Thompson Co.

Robert J. Sullivan has joined the public relations staff of J. Walter Thompson Company, 1 Wall Street, New York City. Mr. Sullivan for ten years was with the financial department of United Press.

48 Years in "Street"

H. S. Smith, partner in Minsch, Monell & Co., 115 Broadway, New York City, members of the New York Stock Exchange, is celebrating 48 years in Wall Street.

Danish Tax Specialists To Negotiate Treaties

Will seek elimination of double taxation, and prevention of tax evasion.

WASHINGTON, Jan. 8 (special to the "Chronicle").—A delegation of Danish tax specialists is expected to visit Washington at an early date to conduct negotiations looking to the conclusion of treaties between the United States and Denmark for the avoidance of double taxation and for administrative cooperation in prevention of tax evasion with respect to income taxes and to taxes on estates of deceased persons.

In preparation for the negotiations, the American delegation will welcome conferences with interested parties or statements and suggestions from them concerning problems in tax relations with Denmark. Communications in this connection should be addressed to Mr. Eldon P. King, Special Deputy Commissioner of Internal Revenue, Bureau of Internal Revenue, Washington 25, D. C.

Weil & Co., Inc. Has Opened in New Orleans

NEW ORLEANS, LA.—Weil & Company, Inc. has opened offices at 830 Union Street, to engage in the securities business.

Officers of the firm are Walter H. Weil, President; Walter H. Weil, Jr., Evangel N. Anagnosti, and Travis T. Hailey, Vice-Presidents; and J. Thomas Whalen, Secretary-Treasurer.

Messrs. Weil were previously partners in Kohlmeyer, Newburger & Co. and Weil & Co. Other officers were associated with Weil & Co.

Task of the New Congress

By HON. JOSEPH W. MARTIN, JR.*
Speaker of the House of Representatives

House Speaker, calling attention to impeded production from strikes, industrial disagreements, raw materials scarcity, and government controls, points out task before new Congress is to restore competitive enterprise, to balance budget by cutting government expenses, to reduce taxes and to eliminate Communistic and Fascist elements from Federal positions. Says people should support government, and not government people, and insists on dominance of Congress in shaping national policies. Asserts that with patience and cooperation we can achieve prosperity and security greater than ever known before.

In assuming the duties of Speaker of this House of Representatives, I am deeply grateful to my colleagues for having bestowed this signal honor upon me.

Hon. J. W. Martin, Jr.

No man could fail to be deeply touched by the great honor and privilege of being the Speaker of this historic and august body. No man could fail to have a deep sense of responsibility in assuming the duties of the Speakership because of the tremendous problems which beset our country and our times.

I pay tribute to the honorable gentleman from Texas whom I succeed to the Chair, and who has so generously presented me to the House.

*Address of Speaker Martin at the opening of the 80th Congress, Jan. 3, 1947.

Colleagues, the 80th Congress comes into existence in a time when most of the world lies crushed, broken and in waste, from the ravages of the most terrible war mankind has ever experienced.

Orderly government has, to a great extent, lost control in many countries.

Millions of men and women—and little children—are still displaced far from their native homes; they are still hungry; they are still dazed by the enormity of the horrible disaster which has wrecked their lives, laid waste their native lands, left them without homes and, in many cases, bereft of loved ones.

Those millions of war stricken peoples turn to the beacon of freedom and security which, thank God, still burns brightly in the United States of America—sending its gleam of hope to the farthermost points of the world. If the torch of freedom and prog-

(Continued on page 159)

"The Question Before the House"

By JO BINGHAM

Writer reviews development of Federal grants to states and criticizes policy of varying such grants in accordance with state individual needs. Contends basic principle adopted in extending grants is in contradiction to statutory provisions, and Federal aid is becoming an encroachment on state functions. Concludes some other and more reliable method of allocation must be found, since, as it now stands, the "variable grant" formula "is an administrative gift horse which needs to be looked squarely in the mouth."

Jo Bingham

The traditional wedding-dress inventory of the bride might be used to describe some of the honeymoon issues facing the new Congress:

Something old—Federal aid to the states.
Something new—The variable grant.
Something borrowed—The public debt.
Something blue—The taxpayer.

Although balancing the budget, reducing the debt and cutting the tax burden are popular, major items on the agenda, Federal aid is a hardy perennial and will not fail to show up prominently in a number of fields.

Annual money grants-in-aid to the states began in 1887 when the Hatch Act authorized a lump sum of $15,000 to each state to establish an agricultural experiment station in connection with land grant colleges. Aids were later given for other purposes, and the amounts paid out increased. In 1915, Federal aid was $5.4 million; but by 1937 it amounted to more than a hundred times as much; and a peak of $815 million was reached in 1943; the estimate for 1947 is over a billion. For several years it has been a three-quarter billion dollar business involving aids to such state functions as highway construction, protection of natural resources, vocational education and rehabilitation, employment services, health and welfare services, and public assistance. The last

(Continued on page 169)

The Republican Party Program

By HON. ROBERT A. TAFT*
U. S. Senator from Ohio

Asserting main issue in recent election was restoration of freedom and reduction of interference with family life and business by government bureaus and autocratic labor leaders, Republican Party leader outlines immediate program as: (1) completion of transition from war to peace; (2) modify control so as to release productive energies of industry, labor and agriculture; (3) putting the government on a pay-as-you-go basis. Says first task is ending controls and elimination of powers of many administrative boards and revising New Deal laws, particularly those relating to labor. Says labor legislation vetoed by President will be included in program.

The organization of the Senate was blocked today by a filibuster conducted by a few Southern Senators against the swearing in of 35 newly-elected Senators. They took this action because the Senate refused to seat at this time Senator Bilbo of Mississippi who is charged by the Mead War Investigating Committee with "improperly using his high office as United States Senator for his personal gain in his dealings with war contractors." The Republicans and a number of Democrats, constituting about two-thirds of the holdover Senators, took the position that Senator Bilbo should be required to step aside temporarily until the Senate was organized and the President delivered his message on the State of the Union. The filibustering Senators insisted that the Senate should not be organized at all unless Senator Bilbo was first sworn in. I hope that Bilbo's supporters may recede from this position tomorrow. Otherwise it will probably be necessary to hold the Senate in continuous session until organization is effected.

Robert A. Taft

It can only be said that such a clear abuse of filibuster power

(Continued on page 150)

*A radio address by Senator Taft over the National Broadcasting Network, Jan. 3, 1947.

Neither Labor nor Capital Should Endanger Stability: Dewey

New York Governor, in second inaugural address, asserts a fair balance between rights of all should be maintained. Stresses dignity and security of individual and holds we have essentials for continued economic progress. Deplores internal quarrelling and "bungling," and calls for vigorous, courageous and farseeing measures to secure international security without surrendering a vital part of sovereignty.

Governor Thomas E. Dewey, in his second inaugural address, delivered at Albany on Jan. 1, called attention to "the great dilemma of our modern industrial society" which is "the achievement of security without giving up essential freedoms." He counselled a middle course which would allow neither labor nor capital to endanger economic stability. In international relations, where "the question is how can each nation be secure against an attack in an atomic age without surrendering a vital part of its sovereignty," he asserted "we can and will find a way to have both freedom and security."

Thomas E. Dewey

The text of the address follows:

Today we pledge anew our loyalty to the Constitutions of our State and Nation, and we take up the opportunities and burdens of a new term. Your State administration has submitted itself to the decision of the people and it has been given a new mandate for good government. We pledge ourselves anew to maintain and advance the dignity of the individual and the right of every citizen of our State freely to pursue his own road to happiness with the full support of his government in the active preservation of his liberties.

When we met in this Chamber four years ago all of the institutions we represent were under the heaviest challenge of our history. Your new State administration was then dedicated to the task of turning all of the energies of our people to the winning of the war and I believe it can be said that the people of our State did their full share and more in the winning of that mighty struggle.

(Continued on page 157)

Roosevelt's New Deal Revealed as Biggest Market Manipulator in History

Roosevelt directed Morgenthau to buy 25 million bushels of wheat to "squeeze the life out of the shorts and put the price up," former Treasury Secretary's diary discloses. Gold price fixed daily at bedside breakfasts by lucky number system. "Roaring" President called Montague Norman "Old Pink Whiskers," and Dean Acheson "Lightweight."

"Inside" details of one of the most amazing periods in the world's entire financial history is contained in the personal diary of the New Deal's Secretary of the Treasury, Henry Morgenthau, Jr. Minutiae of the Roosevelt-Morgenthau gold-buying program, of their monetary "philosophy" of the early nineteen-thirties, of their gigantic manipulation of the grain market, and of the late President's appraisal of key associates, are revealed in currently-disclosed excerpts from the former Secretary's personally kept record of the epochal and turbulent days of the early-New Deal.

H. Morgenthau, Jr. President Roosevelt

Particularly significant light is thrown on the Administration's attempts to alter the low level of 1933 prices, motivated particularly by Mr. Roosevelt's fear of the "danger of bankruptcy" for American agriculture.

F.D.R.'s Quarterback Technique

As Mr. Morgenthau saw it, the President was fighting the battle for higher prices on many fronts, with a technique that was definitely experimental. For example in April, 1933 the Chief Executive compared himself to the quarterback of a football team. He knew what the next play was going to be, but the play after that depended on whether the play in motion would gain 10 yards or be thrown for a loss. He wanted to make a touchdown as far as commodity prices went.

The early "plays" of the Administration were successful, in Mr. Morgenthau's opinion. Prices rose sharply. Farm prices, especially, soared. By July 18, 1933, "bulls" who didn't know the difference between wheat and rye, had bid wheat up over a six-month period from a low of 45 cents a bushel to $1.24. Other farm products followed the jump.

But the rise was purely speculative. Before the farmer could harvest his crop, the bottom again dropped out of the market. Between the market peak on July 18 and the beginning of October, wheat drifted down from $1.24 to $.90. Then the downward trend gained momentum, and the price fell in 12 days to a low of under 70 cents.

A Sick Wheat-Bull

Mr. Roosevelt had discussed strategy with Mr. Morgenthau, whom he had appointed as Governor of the Farm Credit Administration. Mr. Morgenthau's organization was carrying through a vast mortgage refinancing operation, and it succeeded in helping many farmers to hold on to their land. But it was feared that the refinancing would break down under the impact of continuing declining prices. On the night of Oct. 16, Mr. Roosevelt called Mr. Morgenthau at his home. "We have got to do something about the price of wheat."

Morgenthau got Hopkins' O.K. late that night, and the next morning arranged to buy wheat through the National Grain Corp. He first bought a million bushels at between 72 and 74 cents. Immediately he bid for another million at 74⅛, trying to support the price at that level. The market plunged through this stop order and the price flopped back to 63.

Continued on page 171)

Public Utility Securities

Western Union has encountered a series of difficulties in the past two or three years. First it gave rather generous terms to Postal Telegraph security holders in order to effect a merger, and in connection with the merger became saddled with a Washington proviso that it could not "fire" any employees for some time.

Later the company tried to do a bond refunding job, but ran into opposition from the Public Service Commission at Albany. The Commission ferreted into the company's past record and discovered that back in the 1929 period it had used some of its funds in the call money market; and, apparently discouraged by this turn of affairs, the company deferred or abandoned its refunding plan.

Later, the company announced a highly ambitious program for building a series of radio transmission towers throughout the country, in order to send all its messages over the air and save an estimated $20,000,000 a year. This would permit scrapping all the present system of poles and wires, and would facilitate the sending of facsimile messages, thus avoiding transmission errors and problems.

But this program would cost an estimated $75,000,000 and while a beginning could be made with funds on hand, some financing would eventually be required. Before any real progress could be made the company was faced with substantial labor demands which resulted in a disastrous and ill-tempered strike. The company eventually settled the strike, possibly with an understanding that Washington would come to its aid. An appeal to the Federal Communications Commission for increased rates resulted in the temporary grant of a 10% increase last summer.

But the company was again faced with new wage demands, to which it again had to capitulate, and as a result the President estimated that the company would close the year with a loss of about $12,000,000. Accordingly, he appealed for another rate increase of 15%, and the FCC late in December granted a permanent 20% rate increase—supplanting the earlier 10% increase. It was estimated on the basis of current monthly figures that the 20% increase might allow the company to break even.

Western Union's basic difficulties are (1) the cyclical nature of the telegraph business (in bad years such as 1938 the company goes into the red because it can't reduce its overhead fast enough), and (2) competition with the Bell System, which is far stronger financially. Bell controls the important teletype system of leased wires which permits two commercial customers in different cities to "talk" by using a typewriter at each end of the line, payment being based on the length of time used for this paper conversation. While transmission is slower than by Morse code, some time is saved by using shortened spelling, omitting words, etc. This method is very convenient for brokers or others who are working on a security sale or a deal and want to compare notes or make terms; a written record is available at both ends.

The Bell System also competes directly with Western Union through its long distance telephone lines. Higher telegraph rates will be in competition with greatly reduced rates for long distance telephone tolls. On July 1, 1945, the maximum rate for any three-minute station-to-station 'phone call within the United States was reduced from $4 to $2.50, and substantial further reductions were subsequently made.

Western Union's revenues have steadily lost ground in relation to national income and in relation to telephone revenues over the last 20 years. Under these conditions, it is quite possible that Western Union may encounter a continuing decline in gross revenues. This would involve the problem of reducing labor costs correspondingly, which is difficult under present conditions.

However, the company is steadily continuing its research program and may eventually be able to circumvent high labor costs. There has been some suggestion that the RFC might later advance a loan to build the radio towers. The company had over $25,000,000 net working capital at the end of 1945 and probably retained about half of this (possibly more due to depreciation charges) in 1946. Hence the outlook may not be as unfavorable as seems indicated by the above recital of the company's troubles. Certainly the present price for the Class A stock appears to indicate that the investing public still has confidence in the company's ability to recover some earning power.

President's Economic Report

In first special message under "Full Employment Act," Chief Executive urges lower consumer goods' prices, greater production, and further wage increases where needed to offset higher living costs. Wants continuation of rent controls and present taxes; increase in social security benefits; and legislation to outlaw jurisdictional strikes and "unjustified" secondary boycotts. Offers long range program of training workers for jobs; preventing discrimination in employment; maintaining farm incomes; and aid to states for public works, health and education projects.

President Harry S. Truman, in the first Economic Report to Congress, required under the terms of the so-called "Full Employment Act" of 1946, recommends as the main immediate objectives: the maintenance of high level of employment; a gradual lowering of consumer goods' prices; an end of unjustified wage demands and an increase in industrial production. He asked for continuation of rent controls as well as the present high level of income taxes and excises, and a further expansion of social security benefits. As in his message on the state of the Union, he advocated legislation outlawing jurisdictional disputes and unjustified secondary boycotts.

President Truman

Reviewing present economic conditions the President reported that employment is at a high level and that about ten million more are employed today than in 1940, while production is about 50% above the 1939 level and only 15% below wartime peak. In order to keep up this record peacetime production, the message stressed the need for keeping consumer goods' prices down and increasing labor's real earnings. Though pointing out that business as a whole is operating profitably, the report admitted that this is not participated in by all concerns and that "the business dollar as well as the consumer dollar has been diminished by the price rise."

Future Prospects

As to future prospects, the President divided his report into four sections relating respectively to consumer buying, business buying, foreign buying and Federal and State, together with municipal buying. He estimated that current national production of around $200 billions could be absorbed in the immediate future, despite the decline in Federal expenditures.

The American people's "disposable" income after taxes, the President stated, was about $145,000,000,000 in 1946. This represents a per capita average of $1,026, an increase from the prewar per capita income of $497. On this basis, the President concludes, the average per capita income rose considerably more than prices and that "this means that the average per capita real purchasing power in 1946 was substantially greater than in the prewar period."

He warned, however, that consumer savings have declined from the high level of the war but are still above prewar levels. Recent surveys indicate that 24% of American families are without savings, and that 29% have less than $500 of savings.

The report states that business investment in plants and equipment during last year increased to $15 billions, or more than twice the amount of 1939. Inventories have increased to about $33,000,000,000 and commercial and residential construction in the year totaled $4,500,000,000. These high levels must be maintained or increased during 1947, the President stated, if business activity is to be maintained. The unfavorable aspect facing the nations is the fear of a sharp decline in consumer buying and the threat of serious labor disputes.

However, the Chief Executive concludes that if production and employment remain high, if prices decline, if labor difficulties are avoided, and if there is no weakening in investment activity, the nation may confidently expect a prosperous future.

With Clement A. Evans

(Special to THE FINANCIAL CHRONICLE)

ATLANTA, GA. — Clement A. Evans & Co., First National Bank Building, have added to their staff Arthur Brooks Simkins.

John I. Snyder Director

John I. Snyder, Jr., of Kuhn, Loeb & Co., has been elected a director of Pressed Steel Car Company, Inc., Pittsburgh, it was announced by Ernest Murphy, President.

John I. Snyder, Jr.

Fiduciary Management, Incorporated

That this country's leading corporations need expert financial advice, and often funds to temporarily finance a consolidation or sale, has been demonstrated in the case of Fiduciary Management Inc. which, after three highly successful years in this business, is now about to expand.

The Fiduciary Management, Inc., a closed-end, non-diversified management company, is issuing to its stockholders rights to subscribe for an aggregate of 867,420 additional shares of its presently authorized common stock. This additional stock is being offered at $3 per share to stockholders of record Nov. 25, 1946, and subscriptions are payable on or before 3 p.m. (EST), Jan. 24.

The most profitable field of endeavor for the corporation at the present time lies in an investment business of the so-called **special situations type**. Thus the management proposes to pursue henceforth as its primary business the organizing and financing of new, and the reorganizing and refinancing of existing business enterprises, including enterprises where, in the opinion of the management, the correction of a temporarily unfavorable situation through improving the organization and business or supplying working capital or other financing should result in the corporation ultimately realizing a profit in its investment. The corporation has already engaged in transactions of that type with profitable results. Notable examples were the Crosly Corp. consolidation with Aviation Corp., Buffalo Machine & Foundry sold to Blaw-Knox and the corporation's recently purchased Woodlands Farms, at Sacramento, Calif.

Numbered among the board of directors are Jackson Martindell, President and Treasurer of the corporation, who is also President and Treasurer of Fiduciary Counsel, Inc., which manages over $600,000,000 in Funds; also Powel Crosley, Jr., President and director of Crosley Motors, Inc.; Charles R. Hook, President of American Rolling Mill Co.; and Glenn L. Martin, President of The Glenn L. Martin Co.

Originally the stock of the corporation was sold in 1944 at $1 per share. Split-up on a four-for-one basis in June, 1945, the new stock sold at $8 per share in April, 1946. Present rights give the stockholders the privilege of buying the common stock at $3 per share.

The net value of the assets applicable to the capital stock of the corporation is as follows: Jan. 1, 1945, $2,184,385; Dec. 31, 1945, $3,075,548; and Sept. 30, 1946, $2,942,436.

Secondary Boycotts —Legal Racketeering!

By R. STAFFORD EDWARDS

President, National Electrical Manufacturers Association

Mr. Edwards calls upon Congress to outlaw all forms of secondary boycotts, which, he states, under the Wagner Act have become a punitive, coercive, uneconomic and monopolistic weapon that rides roughshod over rights of public, employers, and in some cases, over segments of labor. Cites situation in electrical industry in which secondary boycott has given one union practical monopoly of manufacture, distribution, and installation of electric products.

The electrical manufacturing industry—victimized for 12 years by secondary boycotts—is glad that the President of the United States has again recognized in his message on the State of the Union that the secondary boycott is "an unjustifiable practice" in certain of its applications.

R. Stafford Edwards

The industry, however, calls upon Congress to outlaw all forms of the secondary boycott.

The right to strike and the other tremendous powers guaranteed labor by the Wagner Act actually make any boycott a punitive, coercive, uneconomic and monopolistic weapon with which any organized body may ride roughshod over the rights of the public, employers, and, in many cases, over another segment of labor itself.

The organized secondary boycott is the same type of economic force as mass picketing and the sit-down strike. It takes from the public the right to make its own decisions on the merits of a dispute and, indeed, even takes that same right from the group of employees directly concerned.

The so-called primary boycott is in accord with American ideals and principles but that distinction cannot be applied to any kind of secondary boycott. To permit a secondary boycott as a method of protecting wage rates and working conditions is simply to say that contrary to the Wagner Act, one group will be given the privilege of deciding the wages and working conditions of another group. Each group has that right and privilege, including the right to strike. What has existed in the electrical industry for twelve years is nothing more nor less than a carefully organized and executed boycott by one union to maintain a complete nation-wide monopoly on the manufacture, distribution, transportation and installation of electrical products.

Through the use of identifying labels on the products made by its members, this union boycotts all products manufactured by employees who have exercised their rights under the Wagner Act to affiliate with another union or with no union.

It is unfair to the public because it is denied the goods or services of an employer who has strictly obeyed the law, whose employees have made the choice given to them by law. As any monopoly does, it forces exorbitant prices on the public.

Unfair to Employees

The secondary boycott is unfair to employees who have exercised the rights guaranteed them by the Wagner Act. It either throws them out of jobs because their employer's market is throttled or it forces them against their will to affiliate with a union not of their choice.

It is unfair to employers who are prohibited under the Wagner Act from influencing their employees in any way whatsoever, even if they felt justified in doing so. Their market is drastically reduced or they are put out of business altogether.

It is nothing else but a legal racketeering method used by one union to raid another or to maintain a complete monopoly. The employers and employees who have suffered for 12 years under this type boycott don't care what it is termed or to what other type of boycott the President wishes to give his blessing, but they fervently hope that this unfair type of boycott will be made illegal by the new Congress as quickly as possible.

It is obviously restraint of trade and the remedy could be found in the injunction procedures, damages and penalties now in the Clayton Act and by loss of rights under the Wagner Act.

Six Join Mathews Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Edward E. Mathews Co., 53 State Street, have added to their staff Robert E. Blair, William H. Johnson, James Koulbanis, Michael S. O'Brien, Leon F. Turynowicz, and Walter F. Voner.

With Merrill Lynch Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Frederick J. Sears, Jr., has become affiliated with Merrill Lynch, Pierce, Fenner & Beane, 10 Post Office Square.

Premier de Gasperi's Washington Activities

Trying to reach agreement with UK on redemption of military Lire. Doubting Italy's ability to stabilize Lira now, he is seeking World Bank aid.

WASHINGTON, Jan. 8—(Special to the "Chronicle")—Premier de Gasperi of Italy today expressed his wish for agreement with the United Kingdom on redemption of Allied Military Lire similar to that with the United States. However, he doesn't seem entirely optimistic. He makes the point that his mission here is concentrated on seeking a solution of Italy's 1947 economic financial needs. Italy expects to ratify Fund Bank agreements this month and will seek World Bank aid for reconstruction needs. He asserted that Italy cannot stabilize Lira now. He is meeting with Export-Import Board today. It is reported that a loan from that source is imminent.

Weakness in Silver

Further price softening expected.

If foreign silver continues to come on the market in large volume further softness in its price is expected. According to a usually well-informed source the Handy and Harman "official price" latterly has not been reflecting fully the price depreciation. Large transactions of a million ounces or more are understood to have occurred at about two cents below the official price. The writer is informed that it is possible to buy 1,000,000 ounces of silver at three or four cents below the official price today.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Malcolm Resnick is now with Walston, Hoffman & Goodwin, 550 South Spring Street. He was previously with Edgerton, Wykoff & Company.

Preview of 1947 Problems

National City Bank of New York lists: (1) adjustment from buyers' to sellers' market; (2) correction of unbalanced inventories; (3) a shift from non-durable to durable goods; (4) downward movement in farm and food prices; (5) reduction in unit cost of production; and (6) ending the wage-price spiral. Holds if activity in durable goods is maintained no general depression need be feared.

The January issue of the "Monthly Bank Letter" of the National City Bank of New York contains a rough schedule of problems that will have to be dealt with during the next year and expresses the view that businessmen are looking into the new year "with awareness of its problems, but with a good spirit and enterprise," and with less fear of a precipitate decline in trade and production. According to the "Monthly Letter":

One area where a problem is seen and readjustment is generally under way is in retailing. From the beginning of the war sellers' markets in consumers' goods have prevailed. During much of this time producers were hampered by materials shortages, rising costs and price controls. In many cases low-priced lines almost disappeared from the market, and inferior or over-finished goods and high-priced novelties were turned out at the expense of staples. Even so, sales did not suffer. Consumers had purchasing power and when the choice was to take or do without they bought what was offered.

Retailers and producers of consumers' goods now agree that this era has ended. The visible evidence is in price declines in furs, diamonds, jewelry and some food products; in retail mark-downs, especially on women's apparel, even during Christmas; and in the reappearance of post-Christmas sales. The overall problem now is to adjust production again to meet consumer preferences; to provide as in the past lines for every pocketbook; to clear out of stocks the excess and sub-standard merchandise; and to square away to do a normal competitive business, in which the consumer is umpire with no appeal from his decisions.

Retailers have not waited until demand subsided to prepare for these changed conditions. Their

(Continued on page 168)

Dealer-Broker Investment Recommendations and Literature

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

Auto Accessories — Review of business and financial conditions affecting industry—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

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

Developments in Great Britain —Comment by Thatcher M. Brown, Jr., general partner in G. H. Walker & Co., recently returned from abroad—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Earnings Comparison on 19 New York City Banks—Comparative figures—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Guide to Investment Selections 1947—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

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

Lamborn's Sugar Calendar — 15th annual edition, containing statistical data and other information pertaining to the sugar industry of the United States and the world—Lamborn & Co., 99 Wall Street, New York 5, N. Y.

New Year's Greetings—Analysis of the market outlook—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Outlook for Fire Insurance Stocks—Detailed survey—Delafield & Delafield, 14 Wall Street, New York 5, N. Y.

Trends in American Progress—Facts and figures about the growth of economic life in America—Investors Syndicate, Roanoke Bldg., Minneapolis, Minn.

United States Government Securities—Brochure—Mellon National Bank & Trust Co., Pittsburgh, Pa.

Wall Street Searchlight—Brochure containing discussion of market outlook and opportunities —Luckhurst & Co., Inc., 40 Exchange Place, New York 5, N. Y.

ACF-Brill Motors Co.—Memorandum—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Amerex Holding Corp.—Analysis—Kugel, Stone & Co., Inc., 20 Broad Street, New York 5, N. Y.

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.**

Associates Investment Co.—Analysis—Albert McGann Securities Co., Inc., 131 West Washington Avenue, South Bend, Ind.

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

California Pacific Utilities Co.—Analysis—Walker's Manual, Inc., 369 Pine Street, San Francisco, Calif.

A. S. Campbell & Co.—Memorandum — New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Title Guarantee & Trust Co.**

Central Illinois Electric & Gas Co.—Circular—Adams & Co., 231 S. La Salle Street, Chicago 4, Ill.

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

Detroit International Bridge Co. —Bulletin indicating a tax free return of 6% at present quotations, based on 1946 payments—F. J. Young & Co., Inc., 52 Wall Street, New York 5, N. Y.

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

Dresser Industries — Detailed memorandum—Edward A. Purcell & Co., 50 Broadway, New York 4 N. Y.

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

Grinnell Corp.—Research item —Goodbody & Co., 115 Broadway, New York 6, N. Y.

Also available is a research item on **Rockwell Manufacturing Co.**

R. Hoe & Co., Inc.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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.**

International Detrola—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Gruen Watch Co.** and **Philip Carey Mfg Co.**

Kinney Coastal Oil Co.—Memorandum—Amos C. Sudler & Co., First National Bank Building, Denver, Colo.

Northern New England Co. common stock—Analysis—Greene & Co., 37 Wall Street, New York 5, N. Y.

Northwest Utilities—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Also available is a leaflet of **News Briefs** on several interesting situations.

Nunn-Bush Shoe Co. — Memorandum—Loewi & Co., 225 East Mason St., Milwaukee 2, Wis.

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.

Reynolds Metals—Special report—First California Co., Inc., 300 Montgomery Street, San Francisco 20, Calif.

Also available are reports on **California Pacific Utilities Co., Harbor Plywood Corp., C. J. Hendry Co,** and **Puget Sound Pulp & Timber Co.**

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

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

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.

Glasgow—Empire's Second City

By HERBERT M. BRATTER

Correspondent notes that 80% of Scottish population is concentrated in Southern industrial belt, with most factories in Glasgow district. Business advantages include low-priced labor and factory buildings. Alleges Glasgow has greatest diversification of manufactured products in Europe, and serves as distributing centre for North and South Ireland, as well as Scotland.

GLASCOW, SCOTLAND—In addition to all the economic problems which face the United Kingdom as a whole, Scotland has some peculiar to itself. Economically, the country is the opposite of homogeneous. Only a little over a million of its inhabitants live in rural Scotland, an area almost as large as England, while the remaining population of Scotland, or some 4,000,000 persons, lives in an industrial belt across the South.

Herbert M. Bratter

In Glasgow, Scotland's chief industrial center, the writer recently had the advantage of an interview with Mr. C. A. Oakley of the Board of Trade. Mr. Oakley, although an Englishman by birth, has lived in Scotland about three decades and is an authority on its trade and industry. From him the "Chronicle" obtained the following on Glasgow and the Development Area of Southwest Scotland. Mr. Oakley, incidentally, is the author of an unusual book, "Second City," whose title denotes that Glasgow is the second largest city in the British Empire. Whether, partly as a result of the industrial developments which resulted from the recent war, Birmingham will overtake Glasgow, remains to be seen.

Glasgow's Industrial History

As told by Mr. Oakley, Glasgow, in keeping with all other districts in Great Britain, has both advan-

(Continued on page 170)

Illinois Brevities

For the first time since 1854, when Samuel Carson and John T. Pirie began a business association in LaSalle, Ill., that grew into Chicago's Carson Pirie Scott & Co., the pattern of ownership of the Loop department stores' outstanding stock was disclosed in connection with the company's first public offering. The store also announced an expansion program expected to cost about $4,200,000.

The outstanding 19,990 $6 preferred and 1,250,000 common shares are registered in the names of 56 holders. All of the shares, except 11 common, are held by three distinct family groups, with no shareholder owning as much as 10% of either class.

The families of the three deceased Pirie brothers, Samuel O., John T. and Gordon L., own 41.06% of the preferred and 40.85% of the common. Families of Robert L., Frederick H. and the late John W. Scott own 40.22% of the preferred and 40.37% of the common. The third group, consisting of families of descendants of the late Andrew MacLeish, owns 18.63% of the preferred and 18.77% of the common.

* * *

In discussing the recently-announced annual statements of banks, Philip R. Clarke, President of the City National Bank & Trust Co. of Chicago, said "results of late were somewhat less favorable than in earlier months." They indicate, he said, that earnings have reached a "current peak."

* * *

Wilfred Sykes, President of Inland Steel Co., has been named for the 1947 Presidency of the Chicago Association of Commerce. He will succeed Thomas B. Freeman, President of Butler Brothers.

* * *

State Street stores, which had their best year on record, are continuing plans for civic improvements that by 1950 are expected to cost more than $25,000,000. Meanwhile, A. G. Spalding & Bros., Inc., closed its State Street store in one of the last moves involved in its withdrawal from the retail business.

* * *

Views on general prices and production were plentiful in the Chicago area as business began talking about the new year. S. M. Bruce, of the United Nations' world food staff, said markets ultimately must be found to absorb the "unparalleled" productive capacity of the United States. The Federal Reserve Bank of Chicago said there were only a few portents of prices weakening in the first quarter.

Bertram J. Cahn, Chairman of B. Kuppenheimer & Co., warned that prices may advance to the point of creating real sales resistance, while John L. McCaffrey, President of International Harvester Co., said this resistance already was building. Arnold C. Schumacher, economist, said production was catching up with demand rapidly. Prices were cut as much as 49% in the Winter sales catalogs of Chicago's big mail order houses.

* * *

Ralph W. Davis, Chairman of the board of governors of the Chicago Stock Exchange, said 1946 has shown "definite progress toward our goal, to become a midwest stock exchange for midwest securities." Volume of the exchange was 11,518,000 shares, compared with 12,015,000 in the year before, but the dollar value of the business climbed to $316,623,014 from $296,142,915.

* * *

Illinois bankers will meet Feb. 21 in Chicago to make plans for a new organization to sponsor a statewide conservation program. The organization would interview farmers and try to persuade them to sign five- or ten-year conservation programs.

* * *

Armour & Co. will not issue any additional shares of common stock in connection with its delayed refinancing plan, which George A. Eastwood, President, said would get under way as soon as "general market conditions justify." In addition to this change in the original plan, the number of new first preference shares will be increased and the second preference reduced.

Another meat packer, Swift & Co., filed a registration statement covering $50,000,000 of debenture issues, representing new financing of $31,250,000. Swift will retire $18,750,000 in outstanding debentures and use the balance of the proceeds for modernization and expansion.

* * *

Chicago's transit unification plan passed another hurdle last week when the Circuit Court of Appeals upheld a Federal judge's approval of the city's plan to purchase the Chicago Surface Lines, after an appeal by junior securities holders who were left out of the proposed payoff of holdings.

The next activities affecting the plan will be the Illinois commerce commission's hearings of the petitions of both the surface lines and the elevated railways' petition for increased fares. It has been contended that such increases would insure a more ready market for the $90,000,000 in revenue bonds which the publicly-owned Chicago Transit Authority intends to issue in order to purchase the two establishments.

NSTA Notes

NASHVILLE SECURITY TRADERS ASSOCIATION

The Nashville Security Traders Association elected the following officers for the year 1947:

President—Matthew B. Pilcher, Mid-South Securities Corp.

Matthew B. Pilcher

Herbert Pettey

Buford G. Wilson

Vice-President—Herbert Pettey, Equitable Securities Corp.

Secretary and Treasurer—Buford G. Wilson, Jack M. Bass & Co.

Directors—D. W. Wiley, Wiley Brothers, Inc., and Thomas H. Temple, Thomas H. Temple Co.

Delegate—Paul O. Frederick, Commerce Union Bank.

Alternate Delegate—Jo Gibson, Jr., Webster & Gibson.

NSTA TRI-CITY PARTY

Beginning in Chicago on Jan. 28, the Bond Traders Club of Chicago, Bond Traders Club of Kansas City, and the Twin City Bond Traders Club will hold their annual winter dinners.

Reservations for hotel in Chicago should be made with Lawrence N. Marr of E. H. Rollins & Sons; for dinner with Charles T. Matz of Harriman Ripley & Co.

Hotel and dinner reservations for Kansas City (dinner to be held Jan. 30) should be made with John Latshaw of Harris, Upham & Co.

The dinner in Minneapolis will be held on Jan. 31 and reservations for hotel and dinner should be made with Charles J. Rieger of Jamieson & Co.

A group will leave Chicago in special Pullman cars on Jan. 29 for Kansas City and Minneapolis, returning to Chicago on Saturday, Feb. 1. The cost, which will include round trip rail and Pullman, parlor car from Minneapolis to Chicago and dinner leaving Chicago on Jan. 29, also guest fee at Kansas City and Minneapolis, will be $71.78 each, for two in compartment; $75.74 each for two in drawing room. For rail and Pullman reservations, those planning to attend should contact Edward H. Welch, Sincere & Co., Chicago.

Guest fee for the dinners is $7.50 for each city.

Real Estate Securities

Bullishness, according to some stock market analysts, can be said not only to be present but actually to be growing very strong among investors in real estate securities. In late weeks particularly, they point out, any uncertainty over the future that may have been felt in that section of the market has tended to give way in very marked fashion to a swelling confidence in the soundness really not only of the real estate situation but also of business condtions generally. Careful analysis and a sense of perspective, they declare, have combined to dispel much of the fear, bordering on panic—an unreasonable fear, it would appear, in the light of subsequent developments—that was present in real estate, as in other sections of the market, in the early fall.

If the market was much too high before, the analysts reason, it is much too low now. Security values must, they say, bound back upward to levels more in keeping with trade possibilities. Some decline in prices may have been good for the market but be that as it may, it is unrealistic to think that prices must continue to fall any longer, they argue. A modest degree of fright is probably actually normal in the average market, they point out, and, consequently, it never does take much to start a stampede of selling. It is not just the market in real estate securities but the stock market as a whole which has already hit rock bottom and can with real justification look forward to better days, they think.

From the point of view of the investor in real estate securities, there is much in the market situation to warrant optimism, the analysts feel. For instance, they point out, demand for apartments in existing buildings in New York City must continue strong for at least three to five years more. In fact, there is nothing in the New York real estate scene, they declare, to justify any fear that earnings on present apartment houses will be falling off very soon. No new structures are being constructed and, as a matter of fact, it will be a long time, they think, before any of them can go up. Meanwhile, the population of the city continues to grow, they say. What is true of New York is probably also just as true of many communities in other parts of the country, they think also.

Demand for office space in the commercial buildings of New York is also terrific—and terrific is the word—they say. An example of what is happening is seen, they point out, in the fact that a large New York bank plans to take over for its own use 10 floors additional to the space it already occupies in a large building it owns on lower Broadway. The present tenants who of course must vacate these premises will probably find it none too easy to obtain other quarters, either, they think. If unoccupied offices were really plentiful, vacancies would be noticeable now in the third class buildings, that is, the older, less modern, structures which always feel the pinch of less business first, they declare.

Earnings on commercial buildings as on apartment houses must remain high for a long time yet, they believe. Competition from new construction, for one thing, must be very limited for the following three very good reasons, they argue, (1) the fact that present buildings occupy the best locations, (2) the fact that large tenants especially hate to move after becoming established at some address, and (3) the fact that construction costs on new structures must make present buildings extremely valuable by comparison. Besides, general business activity will continue at a brisk pace for many more years, too, they are sure. The heavy industries have not yet got their production rolling as it must to take care of the world demand for their products, they say. Such building construction as there is, when it does actually get under way, must stimulate business all around, too, they point out. At least one large finance company also is known to be preparing to expand credit almost immeasurably for consumer purchases of all sorts during the coming year, they reveal. Such reflections as these can lead only to bullish conclusions, they believe.

Though the hotels may be crying about their high costs, nevertheless, by all the statistics, they are doing a very big business, the analysts continue. The situation of the present time cannot be compared to the conditions which existed in the twenties, they say. In fact, it is never accurate or safe, they point out, to compare the business conditions and trends of one period with another, they think. Each set of conditions should be studied and analyzed separately, in their opinion.

Moreover, the news coming to hand as we go to press suggests that hotel earnings are likely to show a further improvement over present high levels. We refer to Washington press advices indicating that the Office of Temporary Controls has ordered removal of ceilings on rents for transient hotels and motor courts effective Feb. 15. The same source quoted OTC Administrator Fleming as stating that controls would be retained, however, on rooms available to weekly or monthly guests.

Thatcher C. Jones With Josepthal & Company

Dr. Thatcher C. Jones has become associated with Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange. Mr. Jones was formerly in charge of the New York office of W. H. Bell & Co., Inc. Prior thereto he was with Lehman Bros. and was directing economist for National Securities & Research Corp.

Dr. T. C. Jones

Francis V. Nixon Adds

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Francis V. Nixon & Co., 697 South Hill Street, have added John W. Gardner to their staff.

The United Nations and World Peace

By ARTHUR SWEETSER*

Chief of the Washington Office of United Nations

Former League of Nations Official and United Nations spokesman reviews accomplishments of recent General Assembly meeting, and concludes results give promise of providing mechanism for enforcing peace. Warns, however, that as mechanism or "method of co-operation," United Nations is powerless unless peoples and their governments support it, and points out organization now has no sovereign powers. Sees need for UN to advance from a loose association of sovereign states to a body having sovereign powers. Attacks national irresponsibility, tariffs, and other international discriminations.

As we are meeting here tonight in California, the General Assembly of the United Nations is on the verge of closing its first annual session on the other side of the Continent in New York. For almost two months, 215 Delegates, 131 Alternate Delegates, and 299 Advisers representing 54 nations have battled and struggled together, in the fullest blaze of publicity, to try to advance the peoples of the world along the long and hard road to peace. A blistering spot-light has been upon them; over 800 journalists representing 410 publications from 38 different countries, and 118 radio correspondents from 18 countries, with the United Nations' own radio broadcasting every meeting in five official languages and often in nine other languages.

Arthur Sweetser

It is a solemn moment in the life-story of mankind. We must ask ourselves, coldbloodedly and objectively, three questions:

Three Questions

First, what specifically has this great assemblage accomplished out of its long labors?

Second, how much reason does it give us to hope for continued peace and the prevention of war?

Third, what can we ourselves individually do to improve those chances?

These are the greatest questions of our times. They go to the root

(Continued on page 152)

*An address by Mr. Sweetser before the Institute of World Affairs, Riverside, Cal., Dec. 11, 1946.

The Bank for International Settlements Revived

(Special to the "Chronicle")

Correspondent calls attention to first meeting of BIS directors since beginning of war and a reported loan of the bank to Finland as indicating institution does not contemplate liquidation. Holds Bretton Woods resolution favoring bank's liquidation arose from belief institution was Axis-controlled, and, in view of Allied victory, this opposition has died out. Sees opportunity for the bank to conduct operations not within scope of Bretton Woods institutions.

BASLE, SWITZERLAND.—It seems that the Bank for International Settlements, which was moribund during the war, is coming to life again. Shortly before Christmas the board of directors held a meeting at Basle, the first since the outbreak of the war. And according to a Helsingfors report, the Bank of Finland has just obtained from the Bank for International Settlements a credit of 2,000,000 Swiss francs. The transaction is small, but it seems to indicate that the Bank for International Settlements does not contemplate going into liquidation. For, if that were its intention, it would not undertake new business, on no matter how small a scale.

Yet in 1944 the Bretton Woods Conference passed a unanimous resolution in favor of the liquidation of the Bank for International Settlements after the war. The reason for this resolution was partly that the experts of Bretton Woods assumed that, with the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development, the Basle institution would become superfluous. But the main reason was the unpopularity of the Bank for International Settlements in Allied countries, owing to its association with the Axis Powers before and during the war. The men of Bretton Woods wanted presumably to make a gesture dissociating themselves entirely from the Bank for International Settlements.

Beyond doubt, in 1944 that attitude was not unreasonable. The war was still on, and it was not a pleasing thought for Allied Governments and their experts that there existed in Switzerland a

(Continued on page 155)

Un-Curtaining the Uncertainties

By JOHN E. LOSHAR

Market observer, listing bullish and bearish business influences, concludes that they constitute a "stand-off," excepting for the crucial labor factor. As he considers the outlook here hopeful, Mr. Loshar anticipates a higher stock market.

Any attempt to forecast future market action must be based on an analysis of bullish and bearish factors. If the former predominate, further recovery is probable; the converse, of course, being equally true. It is well to bear in mind, however, that the soundest of prognostications may be upset not only by the usual unforeseen contingencies, but also by technical factors of the market.

Hence we first summarize the bullish elements as follows:

1. National income is expected to rise almost 2% this year. While this may appear insignificant, the indicated figure of $165 billions would be a new high.
2. Employment, too, is setting records: excluding those engaged in agriculture, a total of 49 million workers are gainfully employed.
3. With the practical elimination of all controls on residential building, this type of construction should show at least a 30% increase over 1946.
4. Retail sales should approximate the record volume of 1946, with the expected slump in soft goods being largely overcome by maintained demand in hard lines. Production of cars and trucks in 1947 should exceed by 50% the 3¼ million units of last year. A levelling-off of inflated prices, in lieu of causing a recession, might eliminate the present trend of goods being "priced out of the market" and actually stimulate consumption.

On the other hand, the following appear to be the most important bearish factors:

1. Although a *major* labor crisis now appears unlikely, it is nevertheless a possibility, and labor turmoil may consequently be the main stumbling block in the path of recovery. Claims for retroactive portal-to-portal pay have reached alarming proportions. Almost all observers still fear another round of strikes in the near future which (together with other potential factors) may bring the Federal Reserve Index of Production down to 135 by the end of the year.
2. The abnormally high inventories now being carried at peak prices should result both in substantial markdowns in stock and in cutbacks on any orders presently booked. This, together with the pressure on the whole price structure of another year of bumper farm crops (where already some agricultural prices are at 1945 levels), is expected to drive the BLS commodity price index down below 110 before the end of the third quarter.
3. The resulting stiff competition would, in turn, cause a greater number of bankruptcies and liquidations, especially among newly established postwar enterprises, and increased unemployment would naturally follow.
4. The much publicized income tax reductions may be more than offset by appreciably higher property levies forced by the rising costs of municipal government.

Labor the Crux

As the above-cited factors on each side of the market appear to counterbalance each other, and result in a "locked verdict," it appears that the crucial determinant of the future course of prices will be the development of the labor situation.

Although radical anti-labor legislation is favored both by unthinking management and shrewd labor leaders, its inherent dangers are too widely recognized by the Congress. Consensus, therefore, favors conservative controls of labor unions. On the assumption that such legislation is passed, the number and duration of strikes will depend on the attitude of management and the individual worker.

Management now has the materials to produce, a condition that did not exist in many plants last year; and, therefore, will be willing to grant moderate concessions to avoid prolonged strikes. Workers, realizing that their bargaining power has been considerably reduced, if not by actual losses, at least by the lack of conclusive victories in 1946, will be more flexible about accepting moderate concessions, and go back to work.

Hence the favorable labor outlook seems to balance the above-cited factors toward anticipation of continued active business. As present stock prices—particularly in view of the termination of wartime excess profits taxation—appear to be low in relation to earnings, a higher market may be expected.

King Merritt & Co. Opens Branch in Jefferson City

JEFFERSON CITY, MO.—King Merritt & Co., Inc. has opened a branch in the Jefferson Building under the management of Peter E. Picotte. Associated with the new office will be Oscar H. Barklage, Alfred J. Linhardt, Robert F. McCarthy, Charles L. Propst, Monroe M. Schubert, Earl R. Schutz, and Galen B. Vandament.

Mr. Picotte was previously local Manager of O. H. Wibbing & Co. of St. Louis, with which Mr. McCarthy, Mr. Propst, and Mr. Schubert were also associated.

With F. L. Putnam & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Eugene F. Grant has become connected with F. L. Putnam & Co., Inc., 77 Franklin Street.

William A. Lower V.-P. of Edward Bourbeau Co.

LOS ANGELES, CALIF.—William A. Lower has become associated with Edward J. Bourbeau & Co., 510 South Spring Street as Vice-President in charge of the Long Beach branch. Other officers of the firm are Edward J. Bourbeau, President; Gene Mako, Vice-President, and S. R. Miller, Vice-President.

Formation of the firm was previously reported in the "Financial Chronicle" of Dec. 26th.

With W. C. Thornburgh

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Robert L. Wagner is now with W. C. Thornburgh & Co., 18 East Fourth St.

Railroad Securities

Texas and Pacific Common

As a minority situation with interesting speculative potentialities over the intermediate term many railroad analysts have been considering the common stock of Texas & Pacific in recent weeks. The stock has recovered some 10 points from the 1946 low but has still been available almost 20 points below the year's top level. At these prices the stock is only about four times indicated 1946 earnings and perhaps three times earnings potentialities for the current year. After an extended lapse during the depression and early recovery years, dividend payments were resumed with a distribution of $1 a share in 1942 and this same amount was paid in each of the next two years. In 1945 the dividend was increased to $2.50 and last year the company paid out $4.

The Texas & Pacific is a subsidiary of Missouri Pacific which owns 229,500 of the 387,550 shares of common stock outstanding and all of the 5% preferred. There have been a number of elements of basic strength apparent in the Texas & Pacific situation over a period of years. For one thing, through a combination of retirements and refunding of the junior lien the company has been able to improve its debt position materially. Fixed charges are now down to an indicated level of around $2,800,000 which represents a cut of more than 30% from ten years ago. Allowing for the present Federal income tax rate this saving is alone equivalent to more than $2 a share on the common stock. Moreover, the road has maintained a strong financial position (net working capital is still close to $20 million) so that further debt progress is a distinct possibility.

In common with other roads operating in the territory Texas & Pacific enjoyed a particularly pronounced bulge in traffic and revenues during the initial stage of the oil development and a correspondingly sharp contraction shortly thereafter as virtually all of the crude tonnage was diverted to pipe lines. As the crude tonnage was lost, however, Texas & Pacific as an individual property was able still to show more favorable long term traffic and revenue trends than those of the general region in which it operates or the Class I carriers as a whole. For one thing, the road benefited materially from the expansion in industrial plant capacity in the service area, opening up new traffic sources. Automobiles and products, and iron and steel in particular have become important revenue sources. This industrial growth of the service area received additional stimulus from the war needs and much of this new plant capacity is considered as of a permanent nature.

The road also benefited materially from the opening up and intensive development of new agricultural areas in the territory directly served and in territories served by connecting affiliated carriers. The importance of this latter development during the past 20 years is obvious from the fact that agricultural products in the years prior to the incidence of war distortions were accounting consistently for more than 25% of total freight revenues. On the basis of the world-wide food outlook and the industrial growth of parts of the service area railroad analysts visualize a continuation of high traffic and revenue levels for Texas & Pacific for a number of years to come at least.

Fundamentally Texas & Pacific is an efficient property to operate as evidenced by the fact that it has consistently been able to carry a far larger proportion of gross through to net operating income than practically any other railroad operating in the Southwest or Centralwest Regions. In this era of constantly mounting costs this inherent efficiency takes on added importance. There is no question but that operations and earnings are going to fall well below the war time pre-tax levels. Nevertheless, it is indicated that earnings last year topped $10 per share and estimates for the current year run to $15 a share, or perhaps more. With the improvement in the company's debt and finances there are many rail men who feel that earnings of such proportions would justify even higher dividends than were paid last year.

Department of Justice Accuses 15 Companies of Violations of Anti-Trust Laws

While New York office of Anti-Trust Division of Department of Justice obtained three indictments charging violations of the Sherman and of the Webb-Pomerene Act, Grand Jury is still investigating activities of underwriting firms. Cases against those indicted scheduled to commence in New York Southern District Federal Court within the next two months.

The New York office of the Anti-Trust Division of the Department of Justice has obtained three indictments, charging violations of the Sherman Act and of the Webb-Pomerene Act, against a total of 15 companies engaged in manufacturing or the export business, all of which are scheduled to be heard in New York Southern District Federal Court commencing within the next two months.

While no decision is known to have been made yet regarding possible anti-trust action the Department of Justice may take against certain New York underwriting houses, an official of the Department said he thought an important announcement concerning this matter could be expected within the next month or six weeks. The Grand Jury is still investigating suspected violations of the anti-trust laws among the underwriting group, in fact, devoting all of five days a week to push the inquiry, he revealed.

The Justice Department is instituting a criminal suit against the Carboloy Company, alleging violation of the Sherman Act through the illegal pooling of patents and the fixing of unreasonably high prices on tungsten carbides used for tipping the hard edges of tools. The Department contends there should be more competition in the field. This case will come up on Jan. 21.

In a civil suit scheduled to get under way Feb. 17, the Justice Department alleges that the Electrical Apparatus Export Association organized by Westinghouse and General Electric, since it has entered into an agreement with the INCA (International Notification and Compensation Agreement) is acting in violation of the Webb-Pomerene Act which, true, permits combines for the promotion of American trade in foreign countries but which, according to the Justice Department, does not permit combinations with cartels in other countries for the purpose of suppressing competition, fixing prices and allocating business.

In another civil suit, a Sherman Act violation case involving an interpretation of the Webb-Pomerene Act, scheduled to be taken up on March 3, the Justice Department charges the United States Alkali Export Association and the California Alkali Export Association, the two composed of 12 companies altogether, with keeping non-members in the United States from exporting to territories allocated to members and foreign companies engaged in the same business from exporting to the United States.

Offers International Stability Plan

Winthrop W. Aldrich releases International Chamber of Commerce recommendations for moderating business cycle and creating full employment. Report result of study by international committee headed by Paul G. Hoffman. Supports free enterprise system, but advocates investigation of competition and monopolistic practices.

A report of an international committee of business men on means to moderate the business cycle and to maintain productive employment at the highest possible level was made public on Jan. 2 by Winthrop W. Aldrich, President of the International Chamber of Commerce.

W. W. Aldrich

Paul G. Hoffman

The report, which represents the International Chamber's first postwar investigation of world employment conditions, is the result of a study of several months duration made by a committee of businessmen of different countries headed by Paul G. Hoffman, President of the Studebaker Corporation, of South Bend, Ind.

Recommendations were offered "as a basis for action rather than for further discussion." It was urged that each national group composing the International Chamber should work out in concrete terms the application of the principles contained in these recommendations to the situation in its own country, and should then "make precise recommendations for action to its government."

(Continued on page 160)

Many Conflicting Tendencies in The New Year

(From the "Business Bulletin" of the LaSalle Extension University, a Correspondence Institution, Chicago, Illinois).

Business trends this year will be determined by the net results of many cross currents. Industrial production fairly steady at a high level. Consumer buying and business volume higher than last year and close to the peak. Some dominant factors in the new year.

Business enters the new year with the rate of activity holding quite steady at a rate just a little higher than it was a year ago. Substantial progress toward maintaining a high level of production and employment has been made by industry in spite of the many difficulties during the past year. Factories are well equipped to go ahead and to turn out large quantities of goods which consumers will be able to buy and which they have so far been willing to purchase even at higher prices. The possibilities for further progress are excellent, if the many aspects of our economic system are allowed to adjust themselves into proper balance and then are maintained that way.

Production Up—Sales Up More

The movement of trade and industry during 1946 was in the direction that was anticipated a year ago; but the many obstacles (which included shortages of materials, reduced output per man-hour of work, and extended work stoppages in major industries) have prevented the advance from becoming as great as productive capacity made possible. In many significant respects, however, the achievements were remarkably significant as the rebound from every work stoppage was surprisingly rapid and vigorous.

Excellent indicators which show the current situation best are those of business volume and industrial production. Both have been rising quite steadily from the low points of the year and have held their gains. Both are higher than they were a year ago and production is coming more nearly in balance with business volume. Production for several months has been at the highest level ever reached in peacetime and close to 75% higher than the average of the five prewar years.

Enormous demand from consumers and large amounts of purchasing by business have been the stimulators of the high levels in production and in trade. Consumers have been buying from 20 to 30% more goods each month than they purchased during the corresponding months of the preceding years. Even after allowance is made for higher prices, the quantities of goods sold in retail stores have been far greater than in any previous peacetime year. This demand has so far shown few significant signs of slackening, although it can probably not be maintained at such a high level indefinitely.

Dominant Factors in 1947

When we look ahead in an attempt to foresee the course of business during this year we can rely on the usual methods of economic analysis to a much greater extent than at any time since 1940 when the war conditions began to have the predominating influence over all business trends. These trends are now going to be determined to an even greater extent than they have during the past year by the relationship among costs, prices, and demand. If these can be kept in proper balance so that the income of business will be large enough to cover all costs with a suitable margin to conserve capital and provide adequate profits, a high level of prosperity can be maintained.

Some trends were becoming increasingly favorable, at least temporarily, during the latter of last year. Throughout that period, except for the interruption in coal mining, industrial disturbances in major industries were kept at a relatively low level and production was rapidly coming nearer to business volume. The supplies of goods have become more nearly equal to the demand and sales of them have been a larger percentage of total business volume. This index, which is 6% higher than it was a year ago, is based on banking figures and indicates the total amount of business and financial transactions carried on by means of checks. As most business is conducted in that way, this indicator shows what is taking place

(Continued on page 173)

"Whose Freedom of the Press Is It?"

By HENRY A. WALLACE*
Editor, "The New Republic"

Commenting on press opposition to him, former Vice-President and Commerce Secretary claims "few men have done more to create food abundance than I." Asserts liberal commentators have been eliminated from the air and though people in long run will never be against liberal cause, they "are mighty slow in catching up." Says it is more important to know "the liberal truth than reactionary truth," and expresses faith in destiny of an active press.

This is my first award from the working newspapermen. I can't tell you how happy I am to be with friends who for the moment are not after my scalp. Of course I would not disparage the help which my more reactionary newspaper friends have been to me. By pouring hundreds of tons of printer's ink over me they have made me into a legendary figure. Sometimes they describe me as honest but simple. At other times I am painted as dishonest and designing. When I launched the ever normal granary they criticized it as the abnormal granary. When I prepared the way for farmers to run their own affairs by county committees I was called a dictator. Probably few men have done more to create food abundance than I, but thanks to my enemies among the press no man has been more cursed for producing food scarcity.

Henry A. Wallace

Some have criticized me for having a multitude of conniving friends while others have spread the fable that less than half a dozen Senators called on me while I was Vice-President. My reactionary friends and certain pseudo-liberals have helped me more than they will ever know by crowning me with a continuous succession of brickbats. Probably I would not be here tonight if it had not been for the constant barrage of attacks in 1946. These attacks stirred the truly liberal commentators and columnists to action, and as a result, few men have been more benefited by favorable publicity than myself.

You in the Guild have in effect by this award rallied to my defense and I want you all to know how proud I am to be honored by the Guild. I am proud to be working at the "New Republic," which is a Guild shop comprised of fine hard-working liberals for whom I have the highest esteem.

For 10 years your organization has fought like any other trade union for higher wages and job

Continued on page 175)

*A talk by Mr. Wallace at the Annual Page One Ball of the Newspaper Guild of New York, New York City, Jan. 6, 1947.

Wants a Maloney Act for Labor

George W. Morgan, President of Association of American Ship Owners and former counsel for District No. 13 of NASD, proposes labor unions operate under a "self-regulated" organization, supervised by a Federal Commission similar to SEC. Says this would require union rules and regulations to conform to provisions necessary to protect public interest.

The house organ "News" of the Association of American Shipowners has released the summary of article to appear in its issue of Jan. 10, prepared by George W. Morgan, President of the Association, who, as an attorney, was formerly counsel for District 13 of the National Association of Securities Dealers, Inc. The article proposes a system of "self-regulation" for labor unions under a plan paralleling that of the NASD, as provided by the Maloney Act. The summary of the article as released by the Association of American Ship Owners, and which, it is stated, is "for purposes of discussion and does not represent Association policy," is as follows:

"The establishment of machinery for the self-regulation of labor practices by labor unions themselves rather than the imposition of a system of rigid governmental controls might well be worth consideration by the 80th Congress. Such machinery has been devised and has been applied with marked success in the case of over-the-counter securities dealers.

"It is sometimes said that labor unions lack maturity in that they need to acquire an appreciation of their responsibilities to their members, to the national economy and to society generally. Such maturity can perhaps be encouraged by proper labor legislation, but it might be extremely difficult to compel.

"When Congress became persuaded that the over-the-counter securities business was being conducted to a large extent in an irresponsible manner and that numerous dealers were taking advantage of the ignorance of investors as to the market values of the vast number of securities that are not publicly quoted in the newspapers, the Maloney Act was adopted in 1938. That statute extended to securities dealers certain advantages provided they would organize into an association or associations whose articles, by-laws and rules of fair practice met appropriate standards and provided adequate machinery for the discipline of members who violated them.

"The National Association of Securities Dealers, Inc., was then formed and substantially all dealers joined in order to qualify for the advantages of the Act. The Act is administered by the Securities and Exchange Commission, which has general supervision over the exercise by the NASD, as it is called, of its self-regulatory functions. The SEC has the responsibility to see that the organization is not lax in the discharge of its obligations and that it does not act arbitrarily or impose excessive and oppressive punishments for violation of the rules and by-laws.

"Labor has made substantial gains during the last 15 years and if its gains are to be retained it seems entirely reasonable that unions be required to register with an appropriate quasi-judicial commission as a condition precedent to the right to represent their

Continued on page 183)

Clarence Smith Joins F. L. Putnam & Co.

BOSTON, MASS.—Clarence E. Smith, formerly active in local financial circles and during the war period in government service, is returning to the investment field, having become associated with F. L. Putnam & Co., Inc., 77 Franklin Street, it is announced by the firm. In recent years, Mr. Smith has been connected with the Smaller War Plants Corporation as District Loan Agent, and since Jan. 25, 1946 with the Reconstruction Finance Corporation from which organization he is at present on terminal leave.

Prior to the war Mr. Smith was for a number of years engaged in domestic and foreign banking with the Guaranty Trust Co. of New York in their New York and London offices and also with its subsidiary, the Asia Banking Corp., in China. Later he was associated with that firm's Boston office and subsequently with G. M.-P. Murphy & Co., Smith, Barney & Co., and Clark, Dodge & Co.

With Carver & Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Wayne Whiting has become associated with Carver & Co., Inc., 75 Federal Street.

Trading in U. S. Bonds

By F. N. CHILDS*
Vice-President, C. F. Childs & Co.

Mr. Childs describes in detail marketing methods relating to U. S. Government securities and explains present functions of specialized government bond dealers. Traces history of government bond marketing and shows how present method of dealer handling developed. Scores present system of government bond quotations as merely dealers' judgments and not prices of last transactions, and suggests that establishment of a central exchange trading floor for dealers might be step in eliminating some existing weaknesses in this investment field.

My assignment is to discuss government bonds from the standpoint of a dealer, and since I'm sure the 19 recognized government bond dealers in the country must some times wonder themselves about their choice and form of livelihood, I appreciate this opportunity to acquaint you with some of the fundamentals of our functions and operations. At times questions arise as to the cause of daily fluctuations in such a gilt-edge market as the government market, whose securities do not depend for value on outlook for revenue or credit, to the extent of securities in the corporate or municipal markets; or how we differ from other dealers and brokers; or how we can afford to operate as we do. These are the subjects that I would like to briefly discuss.

In the first place, you may wonder what function is served by government bond dealers when you know that you may purchase or sell a government bond at your bank or through your stock broker. At this point I should say that I refer only to those government securities which are negotiable and not to U. S. Savings bonds, since the marketable issues, amounting to about 70% of the Federal debt, are all that dealers handle.

Continued on page 174)

*An address delivered by Mr. Childs before Chicago Chapter of the American Institute of Banking, Chicago, Ill., Dec. 10, 1946.

Panama Foreign-Trade Zone Urged

Report compiled under aegis of U. S. Department of Commerce states that free port in Panama would stimulate establishment of trading corporations by American firms, would favorably affect ocean freight rates, and offer new business opportunities for Panamanians.

Establishment of a foreign-trade zone in the Republic of Panama is recommended in a report made at the request of the Republic by Thomas E. Lyons, Executive Secretary of the Foreign Trade Zone Board, the Department of Commerce said on Jan. 6.

Thos. E. Lyons

Mr. Lyons made the recommendation to Senor Don Enrique A. Jimenez, President of the Republic of Panama and a special fiscal committee after a six months' study of trade conditions, tariffs and port facilities in both Panama and Canal Zone. Through arrangments made by the U. S. State Department, Mr. Lyons was assigned to make the survey for the Panamanian Government.

"There is little chance of developing a profitable consignment and re-export business on the Isthmus unless new facilities are provided in the Republic which will permit greater freedom in handling the commerce passing through Panama," the report states. "A canvass of leading importers, exporters, steamship executives and government officials, and of businessmen in South and Central American countries, as well as the United States and Mexico, furnishes ample evidence that a foreign-trade zone would be well patronized."

The purpose of a foreign-trade zone (or free port) is to provide a site where goods may be unloaded duty-free for transshipment or for examination by prospective buyers. Any goods leaving the port for the interior are subject to all customs laws. At present there are two such zones in the United States—one at New York City and one at New Orleans.

The report states that a foreign-trade zone in Panama would prompt American firms to establish trading corporations there, and would increase cargo tonnage in and out of Panama which should have a favorable effect on ocean freight rates. It would also offer new business opportunities to Panamanians and increase employment.

Mr. Lyons recommended that the area near Cristobal Mole in Colon Harbor be used for the zone. "It should be at shipside and located as close as possible to the main ship channel of the Canal," he said. "The foreign-trade zone should include ample warehouses and docks of modern construction to facilitate the handling of cargo in and out of the area. As air cargo has already become an important arm of commerce, a branch of the zone should be provided in the National Airport."

In addition to concise recommendations on establishing a foreign-trade zone, the report contains detailed analyses of Panama's foreign trade, the effect of a trade zone on transportation costs, air commerce, Pan American business support of the plan, and press approval.

In gathering material for his report, Mr. Lyons visited most of the countries in Central and South America.

Nelson Wagner Opens Own Investment Business

BUFFALO, N. Y.—Nelson B. Wagner is forming his own investment firm with offices in the M. & T. Building. Mr. Wagner was formerly co-manager of the Buffalo office of R. H. Johnson & Co. Prior thereto he was a principal of Hayes & Wagner, Inc. He began his career in the investment business more than 20 years ago with Schoellkopf, Hutton & Pomeroy, Inc.

J. H. McMullen Opens

SAN ANTONIO, TEX.—John H. McMullen has opened offices in the Alamo National Bank Buildinf, to engage in the securities business.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

New York City bank stocks closed the year 12.6% below their 1945 year-end prices, as measured by the "American Banker" daily index. Individual bank stocks varied between a maximum decline of 20.5%% for Bank of New York and a minimum decline of 6.7% for Public National.

The accompanying table shows the market change of 18 stocks of leading New York City banks, arranged in the order of their per cent decline.

	Asked Price 12/31/45	12/31/46	Change
Bank of New York	478	380	—20.5%
First National	2,095	1,675	—20.0
Chase National	49⅛	40½	—17.6
Central Hanover	128	106½	—16.8
Bank of Manhattan	35⅛	30	—14.6
Morgan J. P.	317	271	—14.5
Bankers Trust	52¼	45¼	—13.4
Chemical Bank & Trust	54½	47¼	—13.3
Commercial National	52¾	45¾	—13.3
New York Trust	116¼	101½	—12.7
Corn Exchange	64½	56¾	—12.0
United States Trust	840	755	—11.1
Continental Bank & Trust	22⅝	20⅛	—11.0
National City	51⅝	46⅝	— 9.7
Irving Trust	21⅛	19⅛	— 9.5
Guaranty Trust	375	343	— 8.5
Manufacturers Trust	64¾	60	— 7.3
Public National	48¾	45½	— 6.7
Average of 18	----	----	—12.9%
American Banker Index	50.7	44.3	—12.6%

It is a coincidence that exactly nine stocks declined more than the average of the 18, and nine stocks less. Strongest to resist the decline were Public, Manufacturers Trust and Guranty. A few stocks rallied slightly in the final month of the year, viz: Bank of New York, +1.3%; Central Hanover, +0.5%; Chemical, +0.5%; Corn Exchange, +3.2% and National City +2.5%.

No capitalization changes were made during 1946 among the 18 banks under review, the most recent being that made by Public in December, 1945. Several banks paid higher dividends in 1946 than in 1945 as noted below.

	1945	1946
Bank of Manhattan	$1.05	$1.20
Bankers Trust	1.40	1.80
Chase National	1.40	1.60
Manufacturers Trust	2.20	2.40
National City	1.30	1.60
New York Trust	3.875	4.00
Public National	1.50	1.7375

Chase National changed from semi-annual payments of $0.70 to quarterly payments of $0.40; National City remains on a semi-annual basis, but raised the amount from $0.65 to $0.80; Public raised its fourth quarter dividend to $0.50 from the previous amount of $0.41¼. Bank of Manhattan's increase was made in the last quarter of 1945 when its quarterly rate was raised from $0.25 to $0.30, resulting in the annual difference shown in the above table; Manufacturer's quarterly rate was also increased in 1945 from $0.50 to $0.60, resulting in higher 1946 dividend payments.

Bankers Trust increased its quarterly rate from $0.35 to $0.45 in the first quarter of 1946; New York Trust's small increase over 1945 resulted from an increase in the quarterly rate of $0.875 to $1 in the second quarter of 1945.

It is of further interest to note that in Jan. 3, 1947 Corn Exchange declared a quarterly dividend of $0.70 per share, instead of the former quarterly rate of $0.60.

Compared with the Dow-Jones Industrial stocks, New York City bank stocks are lagging behind the market, on a long term basis. During 1946 they declined 12.6% as already noted; the Dow-Jones Industrials declined from 192.91 to 177.20, equivalent to only 8.1%.

From the lows of 1942, the American Banker index has moved from 22.9 to 44.3, equivalent to an appreciation of 93.4%; this compares with the Dow-Jones Industrial's move from 92.92 to 177.20, or 90.7%.

However, from the lows of 1932 the Dow-Jones Industirals have appreciated from 41.22 to 177.20, or 329.9%; while bank stocks have appreciated from 23.9 to 44.3, or only 85.4%. It should be noted at this point that the bank stock market in 1942 was 4.6% below its 1932 low, while the Dow-Jones Industrials, at their 1942 low, were 125% above their 1932 low.

At current prices leading New York City bank stocks are, with few exceptions, selling below their book-values. It is a matter of record that, generally speaking, such a price-to-book-value relationship constitutes an advantageous time for the long term investor to place funds in high grade bank stocks, for the market has subsequently moved them substantially higher.

World Bank in Row Over Office Space

WASHINGTON, Jan. 8—(Special to the "Chronicle")—International Fund and World Bank officials are incensed over the State Department's refusal to vacate additional promised space in the private building they jointly occupy, according to the Washington "Post." The newspaper quotes World Bank Acting President Harold D. Smith as saying: "All I'll say is that somebody has been lying to me for at least two months." The article reports the Fund and Bank officials as bitter and contemplating drastic action.

With Inv. Securities Co.

(Special to THE FINANCIAL CHRONICLE)

JACKSON, MICH.—Peter J. Van Valin has joined the staff of Investment Securities Co., National Bank Building.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Malcolm H. Gillett has become affiliated with Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

State Dep't Domination Over Foreign Lending

Members of Congress reported becoming suspicious that intent of Congress is being circumvented by State Department in determining day-to-day policies of Export-Import Bank and World Bank, and in dominating National Advisory Council. Congressmen reputedly objecting to "modern" dollar diplomacy.

WASHINGTON (Special to the "Chronicle").—Some members of Congress who have been interested in the evolution of the United States' foreign lending activities are watching a little anxiously the role the State Department is playing in the determination of individual foreign loans. These Congressmen have an eye on the Export-Import Bank in particular. On the board of directors of that bank the Secretary of State—or his alternate—sits as only one of five members. Congress planned it that way. Similarly, the State Department was assigned only one of the five seats comprising the NAC — the National Advisory Council on foreign lending set up by the Bretton Woods enabling act. Congress, it is now being said, did not intend that the State Department should have the deciding or dominant voice in those bodies; but there is a suspicion in Congressional circles that the intent of the Congress is being circumvented, whether by design or otherwise.

That the State Department plays a leading role in the determination of day-to-day policy as to the lending of dollars abroad should surprise no one. Indeed, until the department in the instances of Export-Import loans to Poland and Czechoslovakia "put its foot down," there was criticism of the lack of coordination in our political and finacial foreign policy. In World Bank circles the voice of the State Department and in fact its mere nod is awaited with understandable respect. Undersecretary Clayton's appearance at a directors' meeting of that Bank was reported in these columns last week. The fact that the American executive director and alternate executive director of the Bank both came from the State Department with the sponsorship of Mr. Clayton does not render any weaker the influence of that department in World Bank affairs.

If the State Department is more influential in the activities and policies of the Export-Import Bank and the NAC than the Congress intended when those bodies were created and enlarged, the national legislature is itself partly to blame. For, under the Congressional reorganization act of last year in the redistribution of committee functions jurisdiction over international lending legislation was shifted from the House Committee on Banking and Currency to the Committee on Foreign Affairs, the "State Department" committee. This could not but strengthen the voice of the department in foreign loan and investment matters.

Partly the present dissatisfaction with the role of the State Department in foreign lending is linked with the "get tough with Russia policy" which emerged late in 1945. Some of the very congressmen who actively supported the Bretton Woods and similar programs on the theory that we could buy international cooperation, at the time mentioned came to the conclusion that we had been wrong. The Colmer Committee, for example, gave signs of reaching that conclusion following a European visit of a group of its members in 1945. On the basis of academic logic there may seem to be a discrepancy between a Congressional desire to have loans withheld for political reasons and an unwillingness to see them made for the purpose of modern dollar diplomacy.

Whether the matter will reach the open discussion stage on Capitol Hill anytime soon is a matter for speculation.

Edmund Whiting With Kaiser & Co. in N. Y. C.

Edmund A. Whiting is now in the trading department of Kaiser & Co., members of the New York and San Francisco Stock Exchanges, in the New York office at 20 Pine Street. Mr. Whiting was formerly manager of the trading department for Peter Morgan & Co. and prior thereto was with Mitchell & Co.

Brown Bros. Harriman Announces Appointm'ts

Brown Brothers, Harriman & Co., 59 Wall Street, New York City, members of the New York Stock Exchange, have announced the appointment of Joseph R. Kenny, formerly an assistant manager, a manager in the New York City office. M. Dutton Morehouse has been appointed a manager in the firm's Chicago office, 135 South La Salle Street.

Bittner, Edelmann Co. Formed in New York

Bittner, Edelmann & Co. has been formed with offices at 80 Broad Street, New York City to engage in the securities business. Murray C. Bittner and Henry Edelmann are partners in the firm. Mr. Bittner was previously President of M. C. Bittner & Co., Inc. and Mr. Edelmann, proprietor of Henry Edelmann & Co.

Our Military Gov't Effecting Drastic Economies

(The following is excerpted from a letter received by the "Chronicle" from an official of OMGUS in Germany—Editor.)

You ask how our work is progressing. In that connection it may interest you to know that a 25% reduction in personnel is becoming effective Jan. 1, 1947. A further cut of as yet undisclosed proportions has been announced to take effect July 1, 1947. You have seen with your own eyes some of the problems which are facing Military Government. You have also seen the personnel at our disposal to cope with these problems. You can well imagine what such a drastic reduction in personnel will mean. It seems to me that this type of economizing will prove extremely expensive. I cannot help but remember that an economy-minded legislature not very long ago voted against the fortification of Guam. Who can tell what this "economy" cost the country in human lives and suffering?

B. G. Cantor Director

B. G. Cantor, President of B. G. Cantor & Company, 61 Broadway, New York City, has been elected Chairman of the Board of the Art-Craft Briar Pipe Corporation of Brooklyn, N. Y.

Pittsburgh Stock Exch. Reelects Officers

PITTSBURGH, PA. — The officers of the Pittsburgh Stock Exchange were reelected at the annual meeting of the Exchange Jan. 2.

Officers are John A. Carothers, James Carothers & Co., President; Ledlie W. Young, A. E. Masten & Co., Vice-President; and William J. Bauer, John B. Barbour & Co., Treasurer.

Directors elected for terms of three years each were Charles E. Kinkey, Jr.; Carl S. McKee, C. S. McKee & Co.; and Eugene H. Lear, Reed, Lear & Co.

No Depression from High Wages

By KEEN JOHNSON*

Under-Secretary of Labor

Administration spokesman, asserting a disastrous slump is not inevitable, contends no depression has ever been caused by wage and salary earners being given too large a share of national income. Sees labor and management called upon to write "a social contract that encourages widest, fullest distribution of goods and services." Says wage increases in collective bargaining cannot be a cause of depression.

Fundamentally, the outlook for America in 1947 depends upon the answer to one question—can we avoid a recession? Can we maintain the present record-breaking rate of economic activity if high prices result in reduced consumption, lower production and employment, or if the lack of balance between prices and production result in a general price collapse as after the last war?

Keen Johnson

I cannot give you a positive answer to that question because there are too many factors involved. But I do know that a disastrous slump is not inevitable. For one thing, the fact that we prevented a sharp downswing during reconversion is very significant and very hopeful. Even while we carried out the tremendous task of military and industrial demobilization, total unemployment never exceeded 2¾ million. Today 58 million Americans have jobs.

That is a very impressive performance. It is by far the best postwar performance in our history. I would like to remind you that this Nation felt the impact of its first major depression back in 1796. Since that time we have gone through about a dozen of these economic cyclones.

Some lasted longer and were more severe than others, but the results were painfully similar. Each depression brought widespread suffering, unemployment and grave financial losses to business and agriculture. Measured in dollars or in human values, these attacks of economic paralysis were very, very costly.

Economists and historians do not always agree on what caused these recurrent attacks, but one fact is quite clear. From 1796 until today, no major depression has been due to the fact that the wage and salaried workers of America were given too large a share of the national income.

Today there is growing agreement that we can avoid a depression by maintaining an economic balance which will insure full production and equitable distribution within the framework of a free society. I do not believe that is an impossible task for a Nation blessed with unmatched resources in men, materials and machines—a Nation fortified by its abiding faith in liberty and justice.

But it is a difficult task because our economy is so vast and complex. We find it easier to agree upon principles than to put them into practice. Today, as never before, labor and management are being called upon to write, not merely the bread and butter contracts which determine wages, hours and working conditions, but a broader agreement—a social contract which will encourage the widest, fullest distribution of goods and services to all our people.

Fortunately, we are getting better and better acquainted with this complicated economy of ours. Both labor and management are steadily broadening their grasp of economic realities. That is as it should be, for collective bargaining offers one of the soundest and most democratic means of finding collective prosperity.

Historically the aims of labor have been the aims of a freedom-loving people. Looking at the present scene—at production, employment and profit levels—I find nothing to suggest that genuine collective bargaining could bring on a recession or give to wage and salaried workers an unduly large share of the national income.

Let us make no mistake about it. We Americans are resolved that neither blind chance nor raw economic power shall determine our national welfare. We reject the fatalism of boom and bust, and we are trying to cooperate to open the way to peace and abundance. To reach that goal—to prevent major depressions and to minimize minor recessions—we need both unity of purpose and a renewed spirit of fair play. That obligation lies upon all of us—industry, agriculture, labor, and a Government dedicated to the common good.

*A radio address by Mr. Johnson over the Mutual Broadcasting Network, Jan. 1, 1947.

"Money at Work"—Stock Exchange Film

First showing in Philadelphia and Chicago of the New York Stock Exchange film, "Money at Work," produced by March of Time, Inc., will be held on Jan. 15 and 17, respectively, it was announced today by James F. Burns, Jr., President, Association of Stock Exchange Firms, under whose auspices the film will be distributed throughout the country.

The exhibit in Philadelphia will be on the floor of the Philadelphia Stock Exchange and in Chicago in the Grand Ballroom of the Palmer House both at 3:30 o'clock. Officials of corporations having securities listed, officials of banks, members of the Investment Bankers Association, the National Association of Security Dealers, members, partners and managers of stock exchange member firms and registered representatives have been invited to a reception prior to the showing of the film at which Mr. Emil Schram, President of the New York Stock Exchange, will be present.

A special showing at 5 o'clock Friday afternoon, Jan. 17, will be held in Chicago's Palmer House Grand Ballroom for employees of member firms which Mr. Schram will address.

Runner With Moseley

F. S. Moseley & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announces that James R. Runner has become associated with the firm.

Hettesheimer Partner in Wm. E. Lohrman & Co.

Frank Hettesheimer has been admitted to partnership in Wm. E. Lohrman & Co., 76 Beaver Street, New York City. He has been with the firm for some time as manager of the trading department.

A Program Against Reaction

By CHESTER BOWLES*
Former OPA Administrator

Holding Republican victory portends reaction and drift from liberalism, former OPA Administrator asserts it is responsibility of American liberals to disprove reactionary theories of both extreme Right and extreme Left. Lays down as program: (1) pinning responsibility on Republican party for solving economic problems in next two years; (2) working to develop greater economic understanding among groups constituting majority of people; (3) attacking monopolists and "scarcity thinkers"; (4) holding fast to "New Deal" ideals; and (5) in foreign affairs, supporting program that is generous, yet practical and avoids power politics. Wants no third party.

For many months, and particularly since Nov. 5, the air has been filled with reaction. The Labor-Baiters have been busy baiting labor. The Tax Reducers and the Budget-Cutters have been busy sharpening their paring knives. The Tariff-Raisers have been looking for the most likely places to begin. In the field of international relations, our Big Stick Wavers have been impatiently flexing their muscles.

Chester Bowles

For all of them the Big Day has finally arrived: This noon for the first time in 18 years, Congress met with a Republican majority in both Houses.

The liberals throughout the country have been reacting to their new position in an odd assortment of ways. Some have been quite relaxed and even philosophical about it. They urge us not to worry. According to their view, the political pendulum was bound to swing as it did. Sooner or later, the Republicans will get things into a mess and the Democrats will be back in the saddle again. To others, the election was a signal that stark reaction is here to stay. The future, as they see it, is one of deep economic depressions, inflationary booms, and catastrophic wars.

Between these extremes are the majority of American liberals who accept the present reaction as a threat to our economic, social and political democracy which must be met promptly and vigorously. It is to this point of view that most of us who are gathered here this evening will subscribe.

The conservative victory of Nov. 5 was a long time brewing. Since 1938, the American liberals have won few legislative victories. Even under the leadership of Mr. Roosevelt, we were blocked

(Continued on page 162)

*A talk by Mr. Bowles at the Union for Democratic Action Dinner, Washington, D. C., Jan. 3, 1947.

Dutch Switching of American Securs. Reopened

Twenty-five percent of the proceeds must be turned in for guilders. Only applicable to prewar accounts.

The Netherlands Bank has granted a general license for switching between their American securities, to those members who have an account in the U. S. for their Dutch clients, according to word currently received here by the Netherlands Financial Press Agency. The license will remain valid one year. As a rule this license will be granted in those cases where American securities have been deposited in the name of one of the Dutch offices which were intermediaries in the registration of securities.

The securities must be certified in Holland first.

When switching, 25% of the dollar proceeds (of those securities which belonged to Dutch residents on Jan. 1, 1947) must be offered to the Netherlands Bank in return for guilders.

This license applies only to American securities that do not mature within 12 months. The remaining 75% may be retained by the owner in dollars. They will be credited on a special account called "Special Account R.D.U.S." The owner can invest this full 75% in other dollar securities. From then on he is free in selling and buying for the full amount (after the original one-time 25% deduction).

Dollar securities are: shares issued by U. S. and Canadian companies and all bonds the face value of which is expressed in U. S. dollars.

Those who do not want the 75% in dollars (the balance in "Special Account R.D.U.S.") have to sell them to the Netherlands Bank, and will be paid in guilders.

The counter value of the 25% of sales proceeds will be paid out by the Netherlands Bank in guilders, 60% in free, and 40% in blocked account.

It seems that the above mentioned license is only applicable to accounts of original U. S. securities that existed in the U. S. A. prior to the war.

Dutch certificates (since they are now certified and cancelled) cannot be switched on account of technical difficulties.

Union Securities Corp. Announces Elections

Union Securities Corporation, 65 Broadway, New York City, announces that S. Warren Wilson, Vice-President, has been elected to the Board of Directors. Mr. Wilson has been with Union Securities Corporation since August, 1944, prior to which time he was associated with Smith, Barney & Co. and predecessor firms.

The election of three new vice-presidents also was announced by Union Securities Corporation: Norman W. Jones, James A. Sandbach and John W. Sharbough. Mr. Jones has been associated with the Corporation and its affiliated organizations since January, 1941; Mr. Sandbach, since August, 1935, and Mr. Sharbough, since March, 1936.

R. D. White & Co. Adds Nolan & Sause

R. D. White & Company, 120 Broadway, New York City, announce that John A. Nolan and Oliver L. Sause are now associated with the firm. Mr. Nolan was in the past with Brown, Bennett & Johnson, in charge of the municipal bond department.

John Arrowsmith Now Is With Cohu-Torrey

Cohu & Torrey, 1 Wall Street, New York City, members of the New York Stock Exchange, announce that John E. Arrowsmith is now associated with the firm. Mr. Arrowsmith has recently been with Lobdell & Co. In the past he conducted his own investment business under the name of Arrowsmith & Co. and was an officer of Van Alstyne, Noel & Co.

Chicago S. E. Admits Two St. Louis Members

CHICAGO, ILL.—Ralph W. Davis, Chairman of the board of governors of The Chicago Stock Exchange, announced today the admission to membership of John A. Issacs, Jr., of Semple, Jacobs & Co., Inc. and Julian M. White, of White & Co.

The Exchange now has a total of 151 brokerage firms and corporations which are members, with 11 located in St. Louis, Missouri.

Colonial Trust Company Announces Promotions

Arthur S. Kleeman, President of Colonial Trust Co., has announced the following promotions:

William H. Bassett, Assistant Vice-President, to be Vice-President; Joseph M. Sullivan, Walter H. Klaum, James H. Shaw and Arthur B. Stewart, Assistant Secretaries, to be Assistant Vice-Presidents; George Ortner, Chief Clerk, to be Assistant Secretary and Assistant Treasurer.

Most Business Heads Not Expecting Depression

National Industrial Conference Board survey shows executives look for normal period in 1947 and many are planning for expansion through use of cash and other liquid assets.

The belief that a business recession will occur during the first six months of 1947 is held by only a small minority of the executives surveyed by the National Industrial Conference Board regarding the business outlook for the first half of 1947.

Virtually all the executives queried look for a return of "normal competition" sometime in 1947. Most of them feel that production during the first half of 1947 should attain a volume at least as great as that experienced during the last six months of 1946 "barring widespread strikes." Materials and labor are expected to be in more abundant supply. Costs are anticipated to be about 10% greater than in the latter half of 1946.

Many companies are planning to expand their plant facilities in 1947, but some contemplated programs have been deferred or reduced because of rising costs, labor problems and uncertainty as to the general business outlook.

Volume of Business

About half the executives surveyed look for an increase in volume of business during the coming six months. Such estimates generally assume the absence of serious labor difficulties and consequent delays in raw material shipments. Estimates as to the size of the increase in volume of business vary, but the most commonly-cited amounts range from 1% up to and including 10%. Approximately a third of the executives expect little or no change in volume, whereas about 17% look for declines (most of which are not expected to exceed 10%).

Estimates of dollar volume are generally higher since prices on the average are expected to be at a higher level during the first six months of 1947 as compared to the last half of 1946. However, lower prices are expected in some instances, particularly in foods.

Manufacturing Activity

The most consistent estimates of increased activity in the first six months were received from durable goods producers. The consumer nondurable goods turned in only slightly less favorable reports. The automobile and automotive equipment industries look

(Continued on page 165)

The New Tax Bill

By HON. HAROLD KNUTSON
U. S. Congressman from Minnesota

Republican Chairman of House Ways and Means Committee explains provisions of his new tax bill. Provides for 20% decrease in current income taxes for incomes not in excess of $300,000 as well as an additional exemption increase for taxpayers over 65 years old. Says bill is expected to give greatest possible incentive to investment in new ventures.

As soon as the legislative budget with its ceiling on appropriations is approved later this month, the Ways and Means Committee will take up the personal income tax reduction bill, H. R. 1, which I have introduced.

Hon. Harold Knutson

Applicable to the entire calendar year 1947, the measure will provide a 20% reduction in the individual income tax payable under existing law on incomes up to and slightly in excess of $300,000. The tax attributable to that part of the income of taxpayers which is in excess of $300,000, is reduced by 10½%.

The bill also grants an added advantage to taxpayers over 65 years of age, in that it gives to each person in that group an additional exemption of $500, making a total exemption of $1,000. The group which receives the full 20% reduction includes the worker, the earner, and those who utilize their incomes in production, expansion, and employment. Falling within this class will be the management groups and those who furnsh risk or venture capital for new enterprises which would create more jobs in an expanding economy. In general, incomes above $300,000, are unearned.

Because of the necessity of revising wthholding tables, and the fact that individual taxes are now on a current pay-as-you-go basis, a percentage reduction in tax appears to be the most feasible method to apply relief to 1947 incomes, effective Jan. 1. Since such a method can be put into effect almost immediately, it will mean quick relief to millions of workers by increasing their take-home pay without delay.

It is hoped and expected that H. R. 1 will give the greatest possible incentive to the investment of capital in new ventures, which will open up new avenues for employment as well as expanded markets for raw materials. I am satisfied that its operation will prove beneficial to all classes. It will start the country on the road to complete economic recovery and provide the Treasury with ever greater revenue that will make it possible to speed up the process of retiring the national debt.

The four tax reductions when the Republicans were in full control resulted in accomplishing these various objectives and we know that history has a way of repeating itself.

Comparison of individual income tax under existing law, and H.R. 1, allowing additional exemption of $500 to persons 65 years of age and over.

Single person, 65 years of age and over, no dependents:

Net Income Before Personal Exemption	Present Law	H. R. 1
$500	$---	$---
600	19.00	---
700	38.00	---
750	47.50	---
800	57.00	---
900	76.00	---
1,000	95.00	---
1,200	133.00	30.40
1,500	190.00	76.00
1,800	247.00	121.60
2,000	285.00	152.00
2,500	380.00	228.00
3,000	484.50	304.00
4,000	693.50	471.20
5,000	921.50	638.40
6,000	1,168.50	836.00
7,000	1,434.50	1,033.60
8,000	1,719.50	1,261.60
9,000	2,023.50	1,489.60
10,000	2,346.50	1,748.00
11,000	2,688.50	2,006.40
12,000	3,049.50	2,295.20
13,000	3,434.25	2,584.00
14,000	3,842.75	2,910.80
15,000	4,270.25	3,237.60
20,000	6,645.25	5,114.80
25,000	9,362.25	7,265.60
30,000	12,264.50	9,576.00
40,000	18,425.25	14,478.00
50,000	25,137.00	19,836.00
60,000	32,247.75	25,513.20
70,000	39,643.50	31,418.40
80,000	47,324.25	37,551.60
90,000	55,290.00	43,912.80
100,000	63,540.75	50,502.00
150,000	105,806.25	84,306.80
200,000	148,551.50	118,499.20
250,000	191,771.75	153,071.60
300,000	234,996.75	187,651.60
400,000	321,446.75	264,723.50
500,000	407,896.75	342,073.50
750,000	624,021.75	535,448.50
1,000,000	840,146.75	728,823.50
2,000,000	1,704,646.75	1,502,323.50
5,000,000	4,275,000.00	3,822,823.50

Bank Credit Associates Of N. Y. to Meet

A regular dinner meeting of the Bank Credit Associates of New York will be held on Jan. 16 at 6:00 p.m. at Fraunces' Tavern. Principal speaker will be Otto T. Kreuser, second Vice-President of the Chase National Bank, who will address the members on "Export and Import Credit Problems." Mr. Kreuser, a graduate of the University of Michigan, has traveled extensively in Europe and South America. When located in the Berlin office of the Chase National Bank in 1931, his activities were principally directed to matters concerning the German Standstill Agreement. At present, and for the past 10 years, he has been in charge of the bank's South American Territory division.

Reservations for the dinner should be made through accredited bank representative, with John E. Morrison, Jr., Bank of New York, 48 Wall Street, New York. Tariff is $3.00.

Ass'n of S. E. Firms Monthly Newsletter

The Association of Stock Exchange Firms has issued their December Newsletter, containing news of the association, resolution on the Federal Reserve Board margin requirements.

A Model Labor Relationship

By JOHN B. ALCORN*
Broker Telegraphers Representative
Commercial Telegraphers Union, AFL

Union official describes method of obtaining harmonious labor-management relationships in section of Commercial Telegraphers' Union. Stresses mutual respect, an understanding of each other's problems, a fine restraint in not taking advantage of each other, and a thorough realization that best interests of worker and employer are intertwined.

It may come as somewhat of a surprise to learn that, of all places, an AFL union has functioned in "Wall Street," and a number of other "streets," for almost half a century on a pattern that the nation's leaders are today attempting to design.

John B. Alcorn

In these vexing times, when the large-sized aspirin bottle is standard equipment and the leaders of men seem determined to scuttle the good ship, "American Way," great emphasis is placed on "The labor question."

Rationalizers are patiently searching for the answer and the extremists vow they already have it. The former reason that there must be a way to persuade management and labor that they have something in common; the latter are convinced that summary action offers the only solution.

A Washington dispatch, appearing in many morning newspapers declaration that a joint manage- on Dec. 16, headlined a solemn ment-labor committee had reached some sort of accord and hailed it as a straw in the wind, pursued by the dove of industrial peace.

After four ponderous points were revealed to a bewildered nation, Mr. Edgar L. Warren, director of the Labor Department's Conciliation Service, closed the deal with this consoling statement:

"I believe that we are now in a position to put our knowledge to work."

There is no intention here to detract from the high purpose that caused two outstanding representatives each from the National Association of Manufacturers, United States Chamber of Commerce, American Federation of Labor, and the Congress of Industrial Organizations to undertake a meeting of minds on an acute problem so vital to the nation's welfare.

Neither is it our purpose to snicker at the reportedly unanimous preliminary conclusions, reached by concededly divergent interests. We hope they are only the beginning of a diagnosis that will produce the cure for our economic frustration. The very fact that these gentlemen could confer and agree on **anything** is heartening.

We cannot, however, resist the temptation to do a little horn tootin'. An industry that has been so maligned and ignominiously regulated as ours has; an industry without which our cherished cap-

(Continued on page 163)

*Mr. Alcorn is associated with the Detroit office of Goodbody & Co., principally as a Telegrapher.

Senator Lucas Urges Labor Study

Offers resolution for a thorough study of field of labor legislation and labor relations by Senate Committee on Labor. In statement he asserts more effective measures to promote peaceful settlements of labor disputes must be taken if public welfare is to be preserved.

Sen. Scott W. Lucas (D., Ill.) in offering a resolution in the Senate for a thoroughgoing study of labor conditions and labor legislation issued the following statement on Jan. 5:

The most crucial domestic problem facing the country today is the relationship between management and labor. Unless means are found to improve these relationships, and to avoid the constant interruption of production caused by labor disputes, we will never be able to achieve the goal of a stable full production economy. The recent coal strike, which threatened for a while to strangle most production and to shut off the service of public utilities throughout the nation, has brought into sharp focus the dangerous nature of the problem.

It is vitally important that the Congress and the whole country know what are the basic reasons underlying the friction between labor and management and to find a way out of our present difficulties. To this end I shall as soon as possible introduce in the Senate a resolution calling for an extensive investigation into the relationships between labor and management to be made by the Senate Labor and Public Welfare Committee.

Among other things, the resolution calls for an examination of measures to protect the public interest against the effects of work stoppages in essential industries, to improve collective bargaining procedures and practices, an examination of measures which concern the health and safety of employees in hazardous industries and the desirability of uniform voluntary system of welfare funds. It also calls for an investigation of basic structure of labor unions, to ascertain how union funds are controlled and accounted for, how union officers are selected, the degree to which democratic practices prevail in labor unions, and the effect on labor relations of concentration of power in the hands of particular individuals identified with labor or management.

I have always been a champion of the cause of labor and have vigorously supported progressive legislation which would improve the status of the laboring man. I shall continue to do so. I will not support any legislation designed to punish labor. The time has come, however, in the interest of labor itself, to find out whether the rank and file of the unions are being properly represented by some of their leaders, and whether particular practices, including the control and expenditure of money

(Continued on page 165)

Firm Name Changed to George K. Baum Co.

KANSAS CITY, MO.—The investment firm of Baum, Bernheimer Co., 1016 Baltimore Avenue, announces a change in its corporate name to George K. Baum & Company, Inc. The firm was originally established in 1928 by George K. Baum and Earle J. Bernheimer, both having been in the investment business practically ten years prior to that time. Bernheimer withdrew from the firm and moved to California about five years ago and has not been associated with the firm since that time. George K. Baum & Co., Inc. will continue the operation of a general investment organzation, continuing practically the same pattern that has existed since its organization. In addition to participating in the underwriting of general market municipals and specializing in underwritings of Missouri, Kansas and Oklahoma municipals, the firm will continue to participate in the underwriting and distribution of all types of corporate stocks and bonds.

George J. McLiney, who has been with the firm since its inception, will continue with the company as manager of the municipal department, while Hayward H. (Pete) Hunter will devote more time to corporate stock and bond underwritings and distribution in the future. Up to this time, he has been devoting most of his time to the trading department.

The corporate trading department, established in 1938, with Eldridge Robinson in charge, will continue to deal in over-the-counter securities, specializing in those local to the Kansas City and southwest markets. Private wire connections will continue to be maintained to New York, Chicago, Los Angeles and St. Louis.

Irving J. Rice & Co. in St. Paul Incorporates

ST. PAUL, MINN. — Irving J. Rice & Company, First National Bank Building, has incorporated. The officers of the firm are: Warren Gouchenour, Jr., President; Irving J. Rice, Executive Vice-President and Treasurer; William S. Anderson, Walter R. Hansen, and J. Richard Werges, Vice-Presidents; and D. A. Gilstad, Secretary.

A. R. Feckler Opens

MONDOVI, WIS. — Adrian Royce Feckler is engaging in the securities business.

Mutual Funds

By JOHN MARSH

Developments After Wars

Frank Valente, Vice-President in charge of research of Distributors Group, in the investment management section of the annual report of Group Securities, Inc., tells of a study of business developments after every war in America. First, the end of the war, and some hesitancy; second, business activity dominated by consumer goods replacement; third, readjustment; fourth, prosperity and capital expansion. The report points out that industries now having the greatest influence in determining whether or not 1947 will be a year of prosperity are in a strong position. They are durable goods. For this reason a decline in the consumer goods index would be of slight consequence.

Important Considerations

In their digest of economic developments **Selected American Shares, Inc.** considered the following items important, and quoted the President's Council of Economic Advisors as expecting a moderate temporary dip in 1947. This may be averted by courageous and sensible labor action. And should we run into a mild recession fundamental conditions are sufficiently strong to suggest some years of high production, full employment, and purchasing ahead. The President's own forecast was included namely. "No '47 depression if we work."

Among other opinions cited were: J. L. McCaffrey, President of International Harvester, who thinks "prices of manufactured goods are building up a real consumer resistance. People are not buying the things they want because prices are too high." Unfortunately wage increases force prices up. Moreover it is now necessary to build adequate reserves.

G. A. Price, President of Westinghouse Electric, commented on the tax carry-backs of 1946 and stated that no such operations can be counted on to offset losses in 1947.

President W. K. Jackson of the U. S. Chamber of Commerce contributed the thought that the Nathan Report ignores the fact the dividend dollar has lost purchasing power in the same ratio as has the wage dollar.

The thought that a wage increase is justified by an increase in living costs appeared to A. P. Sloan of General Motors as an economic absurdity. He thinks "Today labor has become a monopoly and something is now going to be done about it."

A Diversified Continuously Managed Investment

In its 13th annual report to its share holders **Group Securities, Inc.** states that cooperation of many investors make possible an investment service that is a real help. Shares held by the organization are divided into 22 classes, each representing a diversified continuously managed investment. Either one or a combination may be selected in any way to meet different person's needs. Thus, there is a certainty of an investment portfolio for each and every requirement.

Extra dividends are paid out of profits, representing additional spending power—or these funds may be used for buying more shares. Extras will, when practical, be paid in the final quarter of the year.

Shortages, plus the demand for buildings, automobiles, and other durable goods make the probability of our readjustment period a short one. 1947 should see important steps toward a period of prosperity.

Money Makes Money—But—Only When Wisely Invested

This is difficult for many a person who might do better could he put savings in a **Mutual Fund** such as **Wellington.** "Wellington News" poses this question: Have you a program? Or a substantial amount of idle cash? If you want to invest it, your timing may be slow and you may find yourself buying on top of the market. By placing money in a well balanced, well managed Fund you may be sure of a regular dividend. **Wellington** has paid for 17 years.

$7 a Share Distribution!

It must have been a nice surprise to shareholders in the **State Street Investment Corp.** when they distributed $7 a share. This was more or less in the nature of capital gain and of a non-recurrent nature, so it may advantageously be re-invested.

Abstracts

Lord, Abbett & Co. in their "Current Information for Distributors" announce that John L. Schmitt was elected Vice-President of the company. The eastern area where he is well known will welcome the news of his promotion.

The Lord-Abbett Cup has been awarded to Bob de Graffenried.

Both Sides of the Business Outlook

Investment prospects for 1947 as seen by "Keynotes" of the Keystone Company of Boston are on the whole bullish. They, however, present both sides of the situation. On the favorable side one finds an enormous backlog of deferred demand. Years will be required to accumulate needs for new plant construction and machinery, houses, household equipment, railroad equipment, etc. Purchasing power exists to satisfy these needs. War savings will pay for demand. The political atmosphere is more favorable to business than has been the case for many years. The public has demanded a restoration of free enterprise. All that points to good times. On the other hand labor leaders have been able to create a monopoly in restraint of trade, and a new round of wage increases would create difficulties.

[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.]

H. F. Boynton Named For NASD Chairman

WASHINGTON, D. C.—Herbert F. Boynton, of H. F. Boynton & Co., Inc., New York City, has been nominated as Chairman of the Board of Governors of the National Association of Securities Dealers, Inc., for 1947, according to an announcement made by the Association's office here today.

Herbert F. Boynton

Wallace H. Fulton

The following were nominated as Vice-Chairmen: L. Raymond Billett, of Kebbon, McCormick & Co., Chicago; John B. Shober, of Woolfolk, Huggins & Shober, New Orleans. J. Robert Shuman, of Shuman, Agnew & Co., San Francisco, was nominated for Treasurer, and Wallace H. Fulton, of Washington, was again named Executive Director by the Nominating Committee.

The Board of Governors of NASD will vote on these nominations at a meeting Jan. 20.

The Nominating Committee was composed of the following retiring NASD Governors: Peter Ball, Ball, Burge & Kraus, Cleveland; Harry W. Beebe, Harriman, Ripley & Co., Incorporated, New York; Hermann F. Clarke, Estabrook & Co., Boston; June S. Jones, Atkinson, Jones & Co., Portland; Robert S. Morris, Robert S. Morris & Company, Hartford; Norman Nelson, Piper, Jaffray & Hopwood, Minneapolis; John J. Quail, Quail & Co., Davenport.

Goulet & Stein Is Formed in New York

Goulet & Stein has been formed with offices at 27 William Street, New York City, to act as dealers and brokers in mining, oil and industrial securities; real estate and whole mortgages, reorganization rails (old stock), investment trust issues, and stocks removed from the New York Exchanges.

Partners are William F. Goulet and Irving Stein. Mr. Goulet was previously President of W. F. Goulet & Co., Inc., and was with Realty Liquidators, Inc. of Yonkers; he was Vice-President of Muth and Maxwell, Yonkers, until 1943 and subsequently conducted his own business as a dealer in real estate and whole mortgages at 32 Broadway, New York. Mr. Stein was with L. D. Sherman & Co. for 3½ years and prior thereto conducted Irving Stein & Co. 4½ years and was with Morris Stein & Co. for 12 years.

Atwill & Co. Opens Branch In Palm Beach, Fla.

PALM BEACH, FLA.—Atwill & Co. has opened a branch office at 233 South County Road until the management of Ralph T. Ryan.

Expects 1947 Prosperity for Small N. Y. Businessman

Commerce and Industry Association of New York reports result of survey of city's leading industries. Fear of labor disturbances continues, and there is more cautious buying and more stress by purchasers on quality merchandise. Paper shortage and printers' wage demands hamper publishing industry.

Barring major interruptions due to strikes or similar causes, New York's so-called "small businessman" is looking forward to a year of continued prosperity in 1947, according to a spot survey conducted among executives of medium-sized businesses released on Jan. 6 by the Commerce and Industry Association of New York, Inc.

Thomas J. Miley

A cross-section of nine of the city's leading industries is represented in the survey. They are: textiles, foodstuffs, printing and publishing, pharmaceuticals, iron and steel products, paper products, furniture, leather products and radios.

"The principal feature of the reports received was the almost unanimous indication that business will continue to be good unless it is hampered by another round of labor disturbances," said Thomas Jefferson Miley, Secretary of the Association. "The survey also shows, however, that there will be more cautious buying and more stress by purchasers on quality merchandise.

"As a result of abandonment of 'burdensome' government regulations and limitations, expanded sales are anticipated. In some industries, notably paper and steel, supply will catch up with demand by mid-year in certain categories to ease shortages that have been delaying completion of finished goods. Industrial production is expected to rise to a new peacetime high in 1947.

"As consumer resistance becomes more evident and competition becomes keener, the increasing pressure to reduce prices will bring adjustments in various industries from time to time and it is believed the general price level will decline by the end of the year. To combat these evidences of consumer resistance, manufacturers will devote more attention to cutting production costs and obtaining more efficient distribution of their finished products."

The survey indicates that signs of consumer resistance have already appeared, particularly in luxury lines (such as furs) and in lower-priced items (radios) where increasing supplies of merchandise are now available. Some retailers have large inventories of relatively high-priced items which can be sold only at reduced prices as

(Continued on page 161)

Reports Changes in National Debt Ownership

N. Y. Reserve Bank traces movement from February, 1946 that resulted from redemption activities of the Treasury. Reports little change in Federal Reserve holdings and largest reduction in holdings of commercial banks. Sees these banks lengthening average maturity of their government bond portfolios.

The January issue of "Monthly Review of Credit and Business Conditions" of the Federal Reserve Bank of New York contains a section dealing with the recent redemptions of the Federal debt and the effect thereof on relative amounts of the Public Debt held by the commercial banks and others. Of a total reduction in the debt of approximately $23.3 billions, the weekly reporting banks in 101 cities show that they have accounted for about $12½ billions of this amount, while now member banks and non-bank investors accounted for $9½ billions. The Federal Reserve systems holdings have shown slight change.

The text of the Federal Reserve Bank's report follows:

December redemptions brought to a total of approximately $23.3 billion the amount of called or matured marketable Treasury securities retired by the United States Government since the end of February. In that period the Treasury's deposits in War Loan accounts were reduced from 24.4 to 2.2 billion.

The effects of the debt retirement program on the major classes of investors, as far as they can be determined from currently available figures, are shown in the accompanying chart. The data represent the total interest-bearing debt, less special issues which are available to government agencies and trust funds only, tax Savings notes, and Armed Forces leave bonds. Savings bonds, the issue of which has increased about $1 billion since the end of February (thus providing some offset to the retirement of public marketable issues), are included in the data.

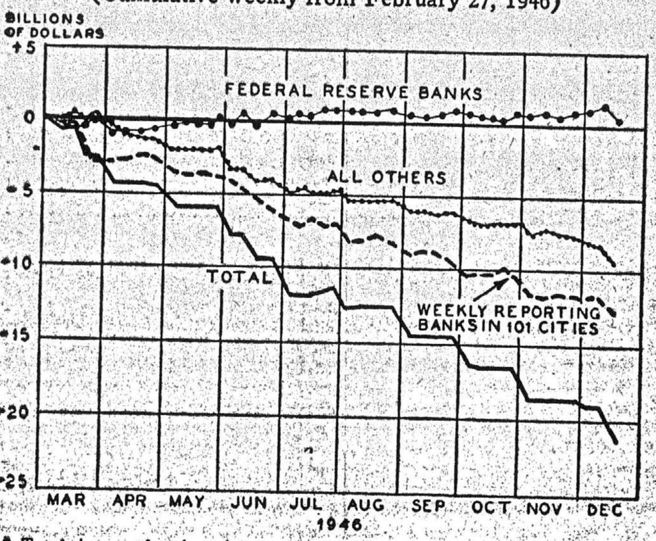
Government security holdings of the weekly reporting member banks in 101 cities declined almost $13 billion between Feb. 27 and Dec. 18, an amount equal to more than half the redemption of public marketable issues in the corresponding period and well in excess of their probable holdings of redeemed securities. Sales of government securities by these banks for the purpose of adjusting their reserve positions, principally to meet the losses of funds resulting from the redemption of securities held by the Federal Reserve Banks, account for the difference. About $7½ billion, or close to 60% of the decrease in reporting member bank government securities, consisted of certificates of indebtedness. Treasury notes accounted for 4.8 billion, or more than one-third, and Treasury bills for one-half billion dollars. Bond holdings showed a small net decline of $200 million, indicating that, in contrast to the heavy open market purchases of previous years, the weekly reporting banks did not fully replace the Treasury bonds lost through retirements, owing to the pressure on their reserves exercised by the redemption program and the expansion of alternative outlets for bank credit, particularly customer loans.

The decline in the government security holdings of the weekly reporting banks brought about a lengthening of the average maturity of their government security portfolios. This was attributable primarily to the redemption of large amounts of their short term securities, together with substantial sales of such securities to obtain needed reserves, and was only secondarily the result of purchases of medium term bonds. The decline in bank holdings of government securities also was primarily responsible for a reduction of 17% in their total loans and investments since the end of 1945. Toward the close of 1946, government securities had fallen to 64% of total earning assets, against 72% a year previous.

Despite the fact that cash redemptions of Treasury obligations held by the Reserve Banks amounted to approximately $4½ billion, the holdings of these banks have risen about $200 million since Feb. 27. Federal Reserve purchases of about 4.7 billion of securities, directly or indirectly from commercial banks, provided the latter with more funds than were withdrawn from them by the Treasury to redeem securities held by the Reserve Banks. Thus, while the redemption program involved recurrent pressure on the reserve positions of member banks, the banks had little trouble in meeting all needs for reserves, because of the ready availability of Federal Reserve credit.

All other investors, including nonreporting member and nonmember banks, as well as nonbank investors, show a decline in their holdings of government securities of about $9½ billion during this period. It appears that in this group nonbank investors replaced part of their losses by buying other Treasury obligations in the open market.

Changes in the Ownership of the Public Debt*
(Cumulative weekly from February 27, 1946)



* Total interest-bearing debt exclusive of special issues, Savings notes, and Armed Forces leave bonds.

Worth Probst To Address NACA (Brooklyn Chapter)

The Brooklyn Chapter of the National Association of Cost Accountants will hold another in its series of technical sessions on Wednesday evening, Jan. 15, at the Park-Vanderbilt Restaurant in Brooklyn.

Mr. Worth Probst, head of Worth Probst Associates, which specializes in the installation and supervision of budgetary controls will be the principal speaker and the subject of his address will be "Straight Line Budget Procedure."

Mr. Probst was educated at St. Lawrence University where he graduated with a degree in Business Administration. For the past 17 years he has been closely identified with the design, installation, control and preparation of Budgetary Control Systems. Mr. Probst served in the Provisional Estimating Department of the American Telephone and Telegraph Company.

He was Budget Director for the Taylor Instrument Optical Companies and Assistant to the Controller of Bausch & Lomb Optical Company. At present, he is operating his own professional organization, the Worth Probst Associates, installing and supervising Budgetary Controls.

In addition to his business connections, Mr. Probst taught at the University of Rochester. He has addressed many organizations on the subject of Budgetary Control. He is a member of NACA and is currently serving Rochester Chapter as Director of Publications as well as being an active member in the Rochester Chamber of Commerce.

Now Temple Secs. Corp.

NASHVILLE, TENN.—The firm name of Thomas H. Temple Company, Commerce Union Bank Building, has been changed to Temple Securities Corporation. Officers of the corporation are Thomas H. Temple, President; Rudolph S. Farrar, Tavel Pickard, Robert R. Read, Vice-Presidents; Ray G. Martin, Secretary and Treasurer; and Mrs. V. K. Herring, Assistant Secretary.

W. F. Bush in Tulsa

TULSA, OKLA.—W. F. Bush is engaging in the securities business from offices in the McBirney Building.

Roy Rodabaugh V.-P. Of Kiser, Cohn Co.

INDIANAPOLIS, IND. — Roy R. Rodabaugh has been elected Vice-President and director of Kiser, Cohn & Shumaker, Inc., Circle Tower, to succeed Fred I. Shumaker. Mr. Shumaker, one of the founders of the firm, resigned effective Jan. 2 and will devote his time hereafter to the affairs of Shumaker Brothers, which firm is engaged in the operation of real estate and concrete construction and allied lines.

Mr. Rodabaugh has been engaged in the investment business for over 30 years and during the last 20 years has been affiliated with Kiser, Cohn & Shumaker, Inc. and its predecessors.

The Housing Problem—Its Cause and Cure

(Continued from first page)
cause of the war seems quite prevalent today. The logical conclusion to such thinking is that the burdens incident to such difficulties should be borne in patience, and indefinitely, by those upon whom they happen to fall. If they should happen to fall most heavily upon the returning soldiers and their families, that is unfortunate, but unavoidable.

This callous attitude is not well supported by Census figures. The Census Bureau estimates that "total occupied dwelling units" in the United States increased from 34,855,000, in 1940, to 37,600,000, in 1945, an increase of 7.9%.[1] A further increase, no doubt, has been experienced in the past year. Although complete figures are not available, it is reasonable to conclude from an anlysis of those figures which are obtainable, that growth in the domestic population of the United States, that is the number of individuals within our continental borders, has closely approximated the increase in the number of occupied dwelling units.

It seems probable, therefore, that the ratio of the actual number of rooms (in all types of housing untis) being occupied, to the number of individuals within our continental borders has, during the past six years, decreased very slightly, if at all. Our current difficulties, therefore, cannot be explained away by a contention that there exists a serious physical dearth of housing as measured by 1940 standards. Difficulties of the magnitude we are experiencing today can be explained only by reference to other things.

According to the estimates[2] of the U. S. Department of Commerce, the "disposable income of individuals," in 1946, is likely to be almost double the 1940 figure of $72.9 billion. As the dollar income of an individual or a family increases, that individual, or family, is very apt to demand more housing. Especially is this so, if the price of housing (as in the case of rent-fixing) is arbitrarily kept from rising, as income rises. Rent ceilings on residential quarters have been raised but insignificantly since 1942. As money incomes increased, while rents were held constant, people were discouraged from economizing on the use of rented housing quarters. Families demanding one room before the war began to demand two rooms as their income increased and their rents were held constant. Family units demanding two rooms before the war demanded three rooms, and so forth on up the line. This process of expansion went on rather painlessly and relatively unnoticed during the war years. Men were being drafted into the army in huge numbers and, in many cases, being sent overseas. Physical vacancies were thereby created, which were promptly absorbed by the expansion process noted above. The problem arose when soldiers returned and began to search for quarters. They found that those who had occupied the dwellings during their absence immediately began to exercise a form of "squatters' rights," and in many cases refused to move unless evicted. It is therefore interesting to note that in the light of such events, the proponents of the Administration's rent program argue that it benefits the veteran to the greatest extent. It is unfortunate that the leaders of veterans do not yet perceive the fallacy in such an argument.

A Waste of Housing

The present situation can be characterized by overcrowding on one hand, and a "waste" of housing facilities on the other. Some people have much more housing at their command than they did before the war. Others have much less. The veterans fall, in the main, in the latter group. Their usual share of housing was "taken over" during their absence by individuals, who are now encouraged by rent ceilings not to yield any of the housing which they "took over." The housing standards of the "stay-at-homes" increased during the war. Now, by virtue of rent ceilings they are able to maintain their higher standards at the expense of the veteran class. The present unbalanced situation can be adequately explained only as the logical result of the imposition of rent ceilings. Only a slight knowledge of the law of supply and demand is required to understand that the imposition of effective rent ceilings (i.e. ceilings at levels below market values) encourages the "waste" of rental facilities, and discourages those who might make rental quarters available.

Effect of Rent Ceiling Removal

If rent ceilings were removed at this time, rents in general probably would rise temporarily. The effect of such increases would be, in the main, twofold. First, current renters would be encouraged to economize on their demands for quarters. Rent increases would throw into reverse the expansion program of the early 1940s. Many families occupying five roms would once again be satisfied with four rooms. Many occupying four rooms would be satisfied with three rooms, and so on down the line. At the same time, private builders would be encouraged to build units for rental. Owners of existing homes would be encouraged to put houses once again on the rental market, and to improvise apartments out of already existing

1 Bureau of Census, "Housing—Special Reports," Series H-46, No. 1, May 16, 1946, p. 1.

2 See Federal Reserve Bulletin, October 1946, p. 1192.

dwellings. Investment funds would again flow into the rental market. As construction prises have risen materially in recent years, it is, in many instances, definitely unprofitable in the light of current rental ceilings to build for rental purposes, or to improvise apartments out of existing houses. Therefore, the elimination of rent ceilings at this time would result in a contraction of the demands of individuals who are already renting dwellings, and would bring more dwellings for rent on the market. This process would permit thousands of veterans, who are now living under makeshift arrangements in trailer camps and the like, to re-enter the rental market and acquire better accommodations. It is indeed surprising that none of the veterans' organizations have to date launched a campaign against rent ceilings, which actually work, in the main, to the detriment of their members.

One may read almost daily of pathetic eviction proceedings occurring throughout the nation. Rent ceilings are the main cause of such proceedings. As time goes on, more and more landlords discover that they can more profitably sell their property than continue renting it. They, therefore, place it for sale and take it off the rental market. Evictions follow. If rent controls were lifted, many landlords would continue renting their property, rather than putting it up for sale.

It has recently been proposed in some quarters that rent ceilings be increased, on the average, 15%. Such increases would relieve the situation somewhat. Others have made the proposal that increases in rent ceilings be permitted in cases where the landlord is experiencing "undue hardship," because of increasing costs, or complete dependence on rental income. Such proposals, in the main, would justify rent increases based upon the financial position of the landlord, rather than on the value of the quarters he happens to be renting. This collectivistic argument is reminiscent of the one presented by the United Auto Workers (CIO) over a year ago to the effect that auto manufacturers should pay wages based upon their financial resources, rather than on the value of the service rendered by the workers. The economic way to correct the situation is to eliminate rent ceilings, not merely to increase them. The complete elimination of rent ceilings would permit the release for productive employment of hundreds of federal workers now engaged in administering them.

Plight of Tenants

Much concern is professed by certain government officials, radio commentators, and others for the plight of the "poor tenants," should rent controls be removed at this time. Similar "tears" are being shed by the same persons for the veterans now displaced by tenants exercising "squatters' rights" on the choice rental quarters of the nation. Many tenants moved in while the "boys" were away. Their ability to hold quarters so appropriated is reinforced by rent ceilings. Such controls permit them to pay rents established in 1942 with relatively cheap 1946 dollars. The returning soldier is prohibited from bidding the market price for the dwellings so appropriated, and in many cases his hardships stem from that fact alone.

Case of Meat Control

An extraordinary series of events recently led to the awakening of millions of Americans insofar as the economics of the meat industry is concerned. Immediately prior to the time at which the Office of Price Administration entered its temporary grave, price ceilings on meat were in effect, and meat was conspicuously absent from the cases of butchers. Immediately following the tentative demise of the Office of Price Administration, ceilngs on meat lapsed, and the product became abundant throughout the United States. Shortly following the resurrection of the Office of Price Administration in the summer of 1946, price ceilings on meat were again established, and meat rapidly disappeared from the butcher shops. In many cases the shops were closed, throwing many employees out of work. This sequence of events shocked many Americans into realizing that ceiling prices do not protect them from the evils of inflation but merely "protect" them from obtaining goods they desire in satisfactory quantities. This dramatic sequence made certain economic relationships crystal clear to millions of Americans, and they could no longer be duped by all of the psuedo-economic propaganda of the Office of Price Administration. Once this blind spot in public thinking was eradicated, the people brought pressure to bear and the meat problem was solved in short order. **Once another blind spot in the public mind is eliminated the housing problem can be solved almost as rapidly as was the meat problem.**

For the purpose of scientific analysis, it is necessary to recognize the fact that meat is not the necessity which American housewives and their men folks believe it to be. To most of the two billions of people who inhabit this earth, meat is a rare luxury to be enjoyed only upon exceptional occasions. Only in rich countries such as the United States where standards of living are high is meat actually considered a necessity.

It is ironic that the American people should be shocked into economic intelligence by developments in the luxury product "meat," rather than by happenings in a field such as housing which involves actual necessities. Economic laws are universal in their application. They do not apply to one commodity or service in one manner and to another commodity or service in an entirely different way. Any fallacy in the Office of Price Administration propaganda line is as much a fallacy in regard to housing as it is in regard to meat. Yet many of our business, social, and economic leaders are still indicating in their public utterances that they believe rent controls should still be maintained. They do not yet realize that rent ceilings interfere with people getting housing, and actually prevent many would be renters from renting quarters, just as truly as ceiling prices on meat interfered with and, in many cases, prevented would-be purchasers of meat from accomplishing their mission. They do not yet realize that, in terms of pre-war standards, there is no marked physical shortage of housing. They do not yet realize that the current housing "shortage" is entirely a monetary phenomenon, which might disappear almost overnight if rent ceilings were eliminated. They do not yet realize that their pity and great concern for the tenant class, when implemented by rent controls, works great hardships on many tenants, and would-be tenants, while encouraging other tenants to demand more space than their income would ordinarily permit. They fear a wave of evictions which might occur, should rent controls be abolished, while failing to see that rent controls in themselves have caused, and are causing numerous evictions. They do not yet realize the simple truth that rent ceilings, if low enough to be effective, unnecessarily reduce the number of dwellings available for rent.

Position of Landlords

The argument that rent controls should not be lifted at this time, because higher rates of occupancy permit many landlords to experience high profits is unsound and quite immaterial. It is true that the dollar profits of many landlords are higher than they were in prewar years. However, the purchasing power of the rentals has declined materially with the fall in the purchasing power of the dollar. For this reason, the relative position of landlords in general has declined in the last six years. But in any event, the American people are more interested in obtaining living quarters, than they are in the general level of landlords' profits, for the same reason that they were more interested in porkchops than in price control on meat.

The blunt truth is that landlords, being relatively weak in political power at the moment, are being exploited in the sense that they are being forced to accept less than market values for the use of their property. The logical consequence is that they, as a class, refrain from investing further in property which is subjected to such discriminatory treatment, and investment money is unnecessarily diverted into other channels.

Unfortunately, for political reasons, it may be a long time yet before rent controls are removed, and the housing market once again economically organized. Tenants outnumber landlords many fold, and politicians necessarily are sensitive to the votes of the tenants. As soon, however, as tenants and would-be tenants realize that their interests would be best served by the elimination of rent controls, just as the interests of meat consumers were best served by the eradication of price controls of meat, then the proper political pressures will be brought to bear, rent controls eliminated, "wanted-to-rent" columns will disappear from the newspapers, and the "dwellings for let" columns will be expanded.

Amnesty Bd. to Review Draft Violations

A three-member Amnesty Board, headed by former Supreme Court Justice Owen J. Roberts, was appointed by President Truman on Dec. 23 to review 11,000 draft law violation cases. Other members of the Board, according to an Associated Press dispatch from Washington, are James F. O'Neil, Chief of Police of Manchester, N. H., and Willis Smith of Raleigh, N. C., former President of the American Bar Association. A White House statement said that of the 11,000 violators only about 800 are classified by the Government as conscientious objectors. The review by the Amnesty Board may result in some regaining such civil rights as voting privileges. The President directed the Board to examine the cases of all persons convicted under the Selective Service Act and to "recommend those persons it deems deserving of executive clemency."

The Closed Shop—Its Economic Significance and Legal Status

(Continued from first page)

standing throughout their period of employment. Most closed-shop agreements require an employer to hire new employees through the union, unless the union is unable to secure suitable persons within a stated period of time. In the latter case, the workers hired elsewhere must join the union before starting work.

The "union shop," as employed in the above "Bulletin," refers to an arrangement whereby the employer may hire from any source, but any non-member employees added to the payroll must join the union within a stated period of time. Sometimes the union shop practice is coupled with preferential hiring of union members—that is, employment of available union members in preference to non-union workers.

Prevalence of Closed and Union Shops

The "Labor Information Bulletin" for March-April, 1946, gives a brief summary of the extent to which the closed shop and union shop principles were employed, during 1945, in American industry.

Approximately 13,800,000 workers were covered by written collective-bargaining agreements in 1945. Some 45% of these workers were employed under terms of closed - shop or union - shop agreements.

Some two-thirds of those workers employed under terms of a closed or union shop were subject to a closed-shop arrangement or a union-shop arrangement with preferential hiring. The remaining one-third were subject to an arrangement calling for the union shop without preferential hiring.

According to these data, therefore, somewhat more than 4,000,000 workers were subject, during 1945, to terms of collective agreements calling for a closed shop or a union shop with preferential hiring. Some 2,000,000 were subject to terms of agreements specifying the union shop without preferential hiring.

The Basic Economic Problem

The basic economic problem created by the closed shop is the problem of monopoly in the economic system. Under the closed-shop arrangement a group of union workers monopolize the supply of labor in the market covered by the practice—whether the practice is supported by uniform refusal of members of a strong union to work alongside non - union workers, by tacit understanding between employer and union workers, or by formal agreement between them.

The monopoly aspect of the closed shop affects workers and others in several ways. Workers seeking employment in a new market discover that it is under the exclusive control of a union group, and that employment can be obtained in the field only if union membership is available and obtained prior to employment. Union members who are suspended or expelled from a closed-shop union face enforced unemployment within the labor market subject to union monopolization. The employers, under closed-shop agreements, face a monopolistic supply situation for an essential agent of production. Consumers who are reliant upon a product or service produced by a closed-shop union are dependent upon the collectiv will of the union group for a continuation of supply. Discontinuation of this supply—if the item is an essential good, such as coal, or an essential service, such as transportation—may induce industrial demoralization, spreading unemployment and impairment of services essential to the public health and safety.

Certain differences in the economic position of the union shop—when compared with the closed shop—should be noted at this point. It does not subject an employer to a complete monopolization of his sources of labor supply—if non-union workers are available in the market and if they can and will comply with terms of the union's membership requirements. Likewise, union membership is not a prerequisite of employment to the worker seeking a job—again, if he is able and willing to comply with membership requirements of the union shortly after obtaining a job. Obviously, these distinctions are of no significance when one considers the case of an employer who cannot obtain non-union workers or who would be required, under rules of preferential hiring, to employ only available union workers until his need for additional personnel had been satisfied. Neither would the situation be different from that of the closed shop for the worker who is suspended or expelled from his union. Nor would the union shop principle be significantly different from that of the closed shop during strikes, if non-union workers were not available for hiring in significant numbers, if union membership rules would exclude them from the union, or if coercive picketing practices of the union workers deterred them from seeking any available jobs. Finally, the workers of a union shop are in a position analogous to that of the members of a closed shop to deny to the consuming public a continuing supply of a commodity or service made available by their employer or employers, regardless of how essential it may be to the consumers' welfare.

Power of the Closed Shop

Before undertaking an appraisal of the economic effects of the closed shop it is well to think of it for a moment as an additional source of union power, and to note that the amount of this power varies greatly with a number of variable factors.

The type of industry in which the closed-shop principle prevails affects its power. Employed to its limit to tie up operations in industries providing non-essentials, it is an annoyance to the general public; employed no more effectively to paralyze operations in fuel, transportation, communication, and other industries of the "public interest" type it becomes a potential source of extreme danger to public health, safety, and economic welfare.

The regional area subject to the jurisdiction of a closed-shop union will affect its power. The larger the area covered by such a union's jurisdiction, the more difficult it is for employers and workers seeking employment to escape the monopolistic pressure by shifting their purchase or sale of labor to an open labor market.

The number of types of labor brought under control of a given closed-shop union is likely to affect the power of the closed-shop rule. In numerous instances one type of labor may be substituted to some extent—directly or indirectly—for another type. Applying unified jurisdictional control, under the closed shop, to various related types of labor, therefore, is likely to restrict the possibility of substituting other labor for that supplied by a closed-shop union.

The power of the closed-shop principle over the welfare of workers is enhanced by rules which increase the difficulty and cost of admission to membership in the union; which increase the costs of remaining a member; which reduce the influence of the individual member over union administration and policy; and which increase the hazard of unjust suspension or dismissal from the union.

The power of the closed-shop rule over the enterpriser's freedom and welfare is enhanced by applying the closed-shop principle to more types of labor in more and more labor markets; by building up generous union funds for out-of-work benefits; by adoption of restrictive regulations tending to limit the supply of labor made available to the enterpriser; and by bringing to bear upon an employer, during a strike, the supplemental pressure flowing from cooperative action of outside union workers who refuse to cross the picket line, engage in sympathetic strikes, or refuse to buy the employer's product.

The power flowing from employment of the closed-shop principle, therefore, tends to reach an extreme degree when the principle is applied—

(1) on an industry-wide basis;

(2) to all or most types of labor in the industry;

(3) in an industry whose product or service is highly essential—in continuous supply—to the public welfare;

(4) under rules which make it difficult for workers to join the union, to pay its operating expenses, to control its policies, or to avoid unfair suspensions or dismissals; and

(5) under conditions which subject employers to the additional pressures and hazards of a "closed-union" rule, of violence and destruction of property during strikes and picketing, and of conspiracies with outside workers to boycott the product, to engage in sympathetic strikes, or to refuse to cross picket lines in order to supply essential products or services during strikes.

Arguments for the Closed Shop

A number of arguments have been advanced — by union members and leaders, students of labor relations, or others — in behalf of the closed shop. These arguments emphasize the possible advantages of the closed shop to the workers, and to a lesser degree to the employer.

Among the more important advantages claimed for the closed shop from the point of view of the workers are the following:

(1) that the closed shop is a significant aid to union strength, and unionization is essential under modern conditions as a means of securing a fair share of industry earnings;

(2) that the closed shop assists in strengthening a union in a number of ways: promoting solidarity among the workers; promoting union discipline; preventing depletion of the union's membership; facilitating accumulation of union funds; and preventing employer discrimination in favor of non-union workers;

(3) that the selfish or short-sighted non-union worker who is willing to share in the benefits of collective bargaining can be required—under a closed-shop arrangement—to assume a share of the responsibilities and costs of such bargaining;

(4) that a closed-shop union is freed from the continual necessity of carrying on organizational activities and, thus, is permitted to divert its efforts to more constructive purposes;

(5) that employment of the closed-shop principle protects a union from rival unions and reduces the number of jurisdictional controversies between unions;

(6) that a closed-shop union tends to be a more responsible bargaining agent than one which does not represent all of the workers; and, lastly,

(7) that the compulsory membership feature of the closed shop is no more foreign to the American philosophy of individual freedom than certain other practices — for instance, the requirement that all citizens pay taxes in support of government, or the requirement, in some States, that all lawyers admitted to the bar become members of a bar association.

Several claims have been advanced in behalf of the closed shop, also, from the point of view of the employer. Among these claims are the contentions:

(1) that the closed shop frees an enterprise from the disturbances which grow out of membership drives;

(2) that it is easier, in fact, for an employer to deal with a strong closed-shop union than with a weak union which questions his every move as a potential plan to further reduce its strength;

(3) that the employer gains from the greater harmony resulting from elimination of frictions between union and non-union employees;

(4) that the employer, as well as the workers, gains from any reduction in jurisdictional controversies resulting from the closed-shop principle; and, also,

(5) that the employer benefits from greater stability in wage rates and a tendency toward removal of labor costs as a competitive factor in industry.

Arguments Against the Closed Shop

A number of arguments have been advanced against the closed shop—mostly from the point of view of workers *directly* affected, or employers. Among the more important arguments against the closed shop, from the point of view of the workers, have been the following contentions:

(1) that the closed-shop defense of the union against anti-union discrimination and other practices of the employer is no longer needed, since the Wagner Act and similar State laws prohibit anti-union practices of employers;

(2) that the essential union-strengthening function of the closed shop today, therefore, is to force unwilling workers into unions and to prevent attrition which otherwise would develop from withdrawal from the union of dissatisfied members;

(3) that the closed shop constitutes — or may constitute in some cases—a significant barrier to employment in certain fields of work, due to exclusion of workers from union membership on account of their race, because of their inability to pay high initiation fees, or because of the union's adoption of a "closed-union" principle;

(4) that the closed-shop principle — due to the fact that loss of membership in a closed-shop union results in loss of a job and a source of livelihood — increases to an unwholesome degree the power of the union and its leaders over the union member;

(5) that this increased power of the union and its leadership over the worker encourages various malpractices, such as imposition of excessive union dues and assessments, waste of union funds by union officials, grant of excessive salaries to union leaders, intimidation of dissident elements in the union, and a general tendency to disregard the welfare and rights of the individual member;

(6) that compulsory union membership by means of the closed shop is especially disadvantageous to workers in cases of unions dominated and manipulated, for their own enrichment, by those unscrupulous union leaders who regard a union largely as a source of gain from large salaries and expense accounts, and who seek to perpetuate their lucrative positions by threats or even violence administered to the recalcitrant member; and,

(7) that to force any worker, by a closed-shop arrangement, to join and support a private organization against his will is a flagrant violation of basic rights of the individual in our democratic society.

Among arguments advanced against the closed shop from the point of view of the employer are the following contentions:

(1) that it is a disadvantage to the employer to have his choice of employees limited to a union's membership;

(2) that workers who may be entirely satisfactory to the employer must be discharged if, for any reason, they lose their union membership;

(3) that some workers do not wish to join unions, and that it is illogical for employers to be required, as in closed-shop agreements, to compel union membership as a condition of employment when the law (as in the Wagner Act) prohibits the requirement of non-union status as a condition of employment; and,

(4) that it is inconsistent to forbid business enterprises to engage in monopolistic practices and at the same time permit closed-shop monopolies in the labor market.[1]

Additional Considerations

It is not sufficient, in order to appraise properly the closed-shop problem, to limit the consideration to those bearing mainly upon the positions of workers in unionized industries and their employers. In fact, there are other considerations which—in the judgment of the writer—are equally as important from the point of view of the general welfare of the American people. Increasing use of the closed-shop principle is likely to result in many effects upon general economic conditions and upon economic groups other than employers and employees directly concerned. Its increased use, without reasonable doubt, would have significant effects relative to (1) labor productivity, (2) mobility of labor, (3) wage differentials, (4) wage flexibility, (5) unemployment, (6) industry concentration, (7) general busi-

[1] In preparing the above summaries of arguments, the writer has drawn especially upon arguments mentioned in "Trends in Collective Bargaining," pp. 43-45, by the Twentieth Century Fund and "The Dilemma of the Closed Shop" by John V. Spielmans in the April, 1943 issue of "The Journal of Political Economy," pp. 115-117.

(Continued on page 148)

The Closed Shop—Its Economic Significance and Legal Status

(Continued from page 147)

ness stability, and (8) the social hazard resulting from strikes.

A few brief statements outlining the probable effects of increasing use of the closed shop on the above conditions should be helpful in obtaining a better basis for appraising it.

(1) The closed shop protects union members from the competitive pressure of non-union workers, and enhances the power of a union to limit the number of workers in a given labor market and unduly raise the cost of labor of union members to the employer, which in turn is reflected in higher prices to the consumer. Also, the practice permits greater power of the union to discipline its membership, including member practices pertaining to output limitation. Altogether, it seems reasonable to expect that widespread use of the closed shop is likely to reduce, rather than increase, labor productivity.

(2) The closed shop appears to constitute a real threat to mobility of labor between different regions and different fields of employment. Each closed-shop labor market is a market with a union-made hurdle or barrier around it. Labor can be brought into it only upon such terms (of dues, eligibility requirements for membership, etc.) as are determined by the union controlling the market.

Highly restrictive membership requirements of the closed-shop unions, therefore, would tend to aggravate the problem of labor mobility in an economic system which calls for substantial shifts in labor supply due to changes in population, technology, and consumers' demands.

(3) Wage differentials, it appears, are likely to be reduced within a labor market under the jurisdiction of a closed-shop union. On the other hand, it is reasonable to anticipate a greater differential in (money) wage rates as between a closed-shop labor market and an open (unorganized) labor market. The monopoly aspect of the closed-shop labor market is the obvious basis for expecting the latter trend.

(4) When monopoly power in a market is significant it permits a greater degree of control over price. When a greater degree of control over price is held by a group, it is reasonable to expect that the price will fluctuate less, in response to changing supply and demand conditions. Spread of the closed-shop principle, therefore, is likely to reduce the flexibility of wage rates in closed-shop labor markets.

(5) Reduced mobility of labor and reduced flexibility in wage rates are conditions which are more likely to encourage unemployment than employment.

(6) Adoption of a principle of monopolization of the labor supply to an entire industry (as a result of unionization on an industry-wide basis, coupled with a closed-shop arrangement) is a means of imposing enormous monopoly pressure upon enterprises within the industry concerning an agent of production essential to their survival. It seems reasonable to anticipate that such monopoly pressure in connection with labor supply is likely to drive marginal firms out of business and provide an additional basis for industry concentration in those industries subject to unionization of labor.

(7) The foregoing analysis does not appear to indicate that one should expect the closed-shop principle to be a development conducive to greater business stability. Rather, it might well prove to be a significant factor tending to aggravate depressions and deter recovery.

(8) The ability of an irresponsible union leadership—by means of effective discipline of union members and complete control of the labor supply through the closed-shop arrangement—to bring to a standstill one or more of our essential industries, constitutes a real danger to the stability of our society.

This effect, it should be noted—as well as those outlined in previous paragraphs—is just as likely to grow out of a *virtual-closed-shop* situation as out of one resulting from a formal, legally-binding agreement.

Legal Status

No attempt will be made in this discussion to present a detailed survey of the present status of the closed-shop agreement under terms of State and Federal law. A survey of the present legal status of the closed-shop, however, discloses several conditions of the law on this type of agreement. These legal policies on the subject may be referred to as (1) *laissez-faire*, (2) the Wagner Act policy, (3) permission by specific referendum, (4) prohibition by statute, and (5) prohibition by constitutional provision.

(1) The *laissez-faire* policy is very common among the States. Under this policy, no status for the closed shop has been provided for in the Constitution or by any of the laws of the State—whether under terms of general statutes pertaining to labor matters or a special labor relations law. The closed-shop agreement would be legal in such States, therefore, unless declared to be contrary to public policy and unenforceable as a result of common law decisions of the courts. Approximately one-third of the States are in this category—including, for example, Georgia, Iowa, Maine, Montana, Oklahoma, Virginia, Vermont and Texas.

(2) The *Wagner Act* policy toward the closed shop permits such agreements to be entered into between an employer and a labor organization when the labor organization is one meeting the requirements of the statute as the collective bargaining agency representing a majority of the employees in an appropriate collective bargaining unit, and when the labor organization is not dominated by or assisted by the employer.[2]

A number of the leading industrial States — including such States as Pennsylvania, New York, Michigan, and Connecticut—have adopted a similar policy of permitting the closed shop when such an agreement is entered into between an employer and a labor union which is certified as a collective bargaining agency for the employees according to the terms of the State law.

(3) Some of the States require a *special referendum* on the closed-shop principle before it can be incorporated in the terms of collective bargaining agreements. Wisconsin, Kansas, and Colorado follow this policy. Colorado, for example, enacted a labor relations law in 1943 which permits a closed-shop agreement only when three-fourths, or more, of the employees of an employer have voted affirmatively for a closed shop in a referendum conducted by the State Industrial Commission. Furthermore, under the Colorado law, the State Industrial Commission is directed to terminate any such closed-shop agreement if the union "unreasonably has refused to receive as a member any employee of such employer."

(4) *Prohibition by statute* is another policy on the closed shop. This policy is followed under terms of the Railway Labor Act of 1934 and the Bankruptcy Act of 1933. The Railway Labor Act forbids carriers subject to its terms to require a person seeking employment to join (or not to join) a labor organization. The Bankruptcy Act prohibits a trustee in bankruptcy from entering into a closed-shop agreement with a labor organization pertaining to employment in any enterprise for which he is acting as trustee.[3]

A number of States follow a similar policy, including Nevada, Maryland, Louisiana, and Idaho. Nevada, for example, outlawed both the "yellow-dog" contract and the closed-shop contract in its 1929 statutes by declaring it to be unlawful for anyone to enter into an agreement whereby "an employee or prospective employee of any person promises, as a condition of obtaining or remaining in employment, either to become or not to become or continue to be a member of a labor organization." An Idaho law of 1933 denies enforcement in courts of the State "of any promise or undertaking by an employee or employer to join or not to join any labor or employer organization."

(5) During the past three years five of the States—Arkansas, Florida, Arizona, Nebraska, and South Dakota—have prohibited the closed shop by *constitutional amendment*. Arkansas and Florida adopted amendments in 1944 and the other States adopted

[2] The fact that the Wagner Act is *promotional* of unions and *permits* closed-shop agreements, as stated, causes the law, in its effect, to be promotional of the closed shop.

[3] See Metz, "Labor Policy of the Federal Government," pp. 144-145.

amendments at the 1946 general election.

The Nebraska amendment provides, for example, that "no person shall be denied employment because of membership in or affiliation with, or resignation or expulsion from a labor organization, or because of refusal to join or affiliate with a labor organization; nor shall any individual or corporation or association of any kind enter into any contract, written or oral, to exclude persons from employment because of membership in or non-membership in a labor organization."[4]

Conclusions

The closed-shop problem is one of the outstanding topics which should receive careful consideration in any attempt to improve our national policy on labor relations.

Increasing use of the closed-shop principle constitutes a major development toward increased monopolization of American markets — in this case monopolization, on the supply side, of labor markets. The closed-shop problem, therefore, should be considered as a monopoly problem. Monopolization of a market is a means of concentrating economic power, and the closed-shop form of monopoly concentrates economic power in the hands of those persons who direct the policies of labor organizations.

The power of a closed-shop labor monopoly tends to increase as the monopoly is extended to more types of work, to more enterprises in an industry, and to more industries. This monopoly power attains an extreme degree when a closed-shop union, or a group of cooperating or affiliated unions, controls most or all types (or certain strategic types) of labor to most or all enterprises in a key industry, such as coal mining; or to a group of basic industries, such as those supplying coal, oil, gas, electricity, steel, transportation, and communication.

Powerful monopoly positions, unless effectively regulated in the public interest, tend to encourage less effective use of productive resources, greater scarcity in the supplies of monopolized items, unjustified economic gains to the monopolists, reduced flexibility of prices, reduced economic freedom, reduced mobility of productive resources, and less stability in the economic system. Powerful monopoly positions in labor markets, as well as powerful monopoly positions in commodity markets, are likely to be conducive to similar conditions in the economic system.

Most of the arguments advanced in favor of the closed-shop are arguments *from the point of view of those in the monopolistic organization* — the closed-shop union. Likewise, most of the arguments customarily advanced against the closed-shop are made from the point of view of those persons in—or seeking to join—the monopolistic organization. Appraisal of the closed shop from such a narrow point of view is incomplete and unrealistic. The closed-shop should be analyzed for its effects on many groups: workers in unions, workers desiring to join unions, workers dismissed from unions, workers who find it difficult or impossible to organize closed-shop labor monopolies, employers generally, investors in enterprises facing closed-shop monopolization of the labor supply, and consumers.

When appraising the closed-shop from the point of view of workers, it should be remembered that millions of workers are not now — and are not likely to be—selling their labor in monopolized labor markets. Such workers include the greater number of workers in the professions, in government service, in such decentralized industries as agriculture, retailing, and small-shop enterprises, and in fields of transient employment. Monopolistic gains to workers in closed-shop unions, it must be remembered, will come mostly out of the real wage standards of workers who must sell their labor in competitive markets.

The *laissez-faire* policy and the *Wagner Act* policy seem definitely inadequate to protect general economic welfare against disadvantages of the closed-shop, considering the powerful position achieved by closed-shop unions in relation to workers, employers, and other economic groups. These policies permit closed-shop monopolies to be organized and enforced without requiring even a special referendum of the union members; without restrictions as to union policies concerning admission of members, fees and dues, union administration, or discharge of members; without reference to unfair practices aimed at employers; and without any legal safeguards to assure continuity of supply of the monopolized service (labor) even in industries in which continuous operation is an essential of public welfare.

The policy of permitting the closed-shop when authorized by *special referendum* is but slightly different from *laissezz-faire* and the *Wagner Act* policy. The special referendum policy merely assures that a certain proportion—two-thirds or three-fourths—of the workers in a union favor a closed-shop before it is forced upon them. On the other hand, this policy fails to provide safeguards against the other abuses and dangers of the closed shop.

There appears to be no adequate reason or combination of reasons in the case of the closed-shop form of monopoly for departing from traditional American policy involving either special regulation or prohibition.

A policy of *regulated monopoly* would be based upon assumptions that the closed-shop principle has advantages sufficiently important to justify its use, but that protection of the public welfare requires *special* regulation of unions possessing this form of monopoly. That is, those unions which ask for the *special* privilege of monopolizing their labor markets would be subjected to special responsibilities concerning admission or expulsion of members, initiation fees, dues and special assessments, administration of union affairs, accounts and reports, economic pressures aimed at employers, and continuity of an adequate labor supply in essential industries and employments to safeguard the public welfare.

A policy of absolute *prohibition*, preferred by the writer, would be based upon an assumption that advantages of the closed-shop—when balanced against its disadvantages—are insufficient to justify its use. Such an assumption, seems justified when one considers the way in which a closed-shop agreement enhances the power of a union to control employment opportunities of workers, to tyrannize union membership, to restrict the labor supply of an employer, and to deny to the public an essential good service; also, when one considers the probable adverse effects of such agreements on total employment, mobility of labor, productive efficiency of labor, and other general economic conditions. Prohibition of this monopolsitic feature of unions would permit a less detailed, less costly, and less bureaucratic public supervision of unions. Also, a policy of prohibition would foster competition, rather than monopoly, in an economy which relies strongly on competition to protect economic groups from exploitation, to maintain productive efficiency, to facilitate market and industry adjustments in line with basic economic changes, and to promote general economic progress and rising standards of living.

The CHRONICLE invites comments on the views expressed by Dr. Anderson in this article, or on any related phases of the subject under discussion. Comments should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York (8), N. Y.

[4] See "Labor Law Service" of Commerce Clearing House, Inc., for the present status of the closed shop under laws of the various States.

The Republican Party Program

(Continued from page 127)

will probably lead to a complete change in the rules of the United States Senate.

The House of Representatives organized today has now a Republican majority of 57. When the Senate is organized, the Republicans have a majority of six.

A Republican Congress and Democratic President

The responsibility of the legislative program, therefore, falls primarily on Congress, although President Truman, of course, has a veto power in that field. It should be pointed out further that we still have a Democratic President, and that his powers are equal to and in many respects greater than those of Congress. He has the Constitutional power to execute the laws, which gives him a wide freedom of choice in determining how any legislative policy shall be worked out. In the field of foreign affairs the Constitution confers upon the President the full power to deal with foreign nations without consulting Congress, and the legislation setting up the United Nations, the International Fund, the International Bank and many other international institutions greatly increases his power in foreign affairs. In fact, about all that Congress has retained is the right to cut off funds where the foreign policy requires an appropriation.

Undoubtedly, Congress can deprive the President of certain powers in the domestic field, but if the people desire to retain certain established programs, it is not possible to tell the President in detail how these programs shall be administered. Nevertheless, the Republican Party will have great power in determining many domestic programs requiring legislative action. In the foreign field at the present time, there is a general agreement between the two parties on our political policies throughout the world, and there was no substantial difference on this issue in the election.

Main Issue Before Voters

The main issue of the election was the restoration of freedom and the elimination or reduction of the constantly increasing interference with family and individual life and with business, by autocratic government bureaus and autocratic labor leaders. This was the issue made by the Republicans in the election and the overwhelming vote for their candidates showed that the people desired reconversion and the resumption of progress in the United States on the basis of those principles of freedom which have insured our progress for 160 years. It is to President Truman's credit that when the people spoke he changed his mind on the most outstanding of these controls and hastily accepted the verdict of the people. He almost abolished price control. He greatly reduced housing control and fired Wilson Wyatt. He has just declared that hostilities are ended and thereby eliminated the operation of some fifty laws, some of them of great importance, like the ending of the farm price guarantee in 1948 instead of 1949, and the repeal of some billion and a half of excise taxes. Before the election he had fought bitterly to retain price control unmodified, and recommended the increase of housing control. Only two weeks ago he wrote Senator Wiley that the question of war powers was a very complicated one, that he was having a complete survey made and would later make suggestions to Congress on the subject. There is some evidence that he would accept labor measures even more sweeping than those which he vetoed last year in the Case Bill.

I welcome the President's actions, but let us remember that it was all brought about by the battle which the Republicans made last year against the President, and the campaign issues made by them and approved by the people. With the President's change of heart, it is likely that there will be much less controversy between the President and this Republican Congress than between the President and the last Democratic Congress.

The Republican Program

With regard to a Republican program, I have no right to declare what that program will be. It will be determined by the 246 Republican House members and the 51 Senate members. Many of them are new men who have not had time to study the problems before Congress in detail, and it must be some time before a program is determined. I can only state in a general way my own views of what a program should be. Roughly, the program divides itself into immediate action required, and a long-term program of peacetime progress. These two cannot perhaps be divided by a sharp line. The immediate program must be designed primarily to cleaning away the rubble of the war and the New Deal to prepare the way for constructive building in the future. We must correct fourteen years of confusion and unfilled promises. We must complete the transition from war to peace. We must modify control so as to release the productive energies of industry, labor and agriculture. We must straighten out the finances and put the government on a pay-as-you-go basis. We must reduce a government swollen with war powers to proper peacetime proportions. The general purpose of the program is to restore to the people the freedom of initiative and enterprise on which sound progress rests. A lot of the program may look to be negative, but essentially it is a constructive job like clearing the ground after a great catastrophe so that the people may plan and build anew.

Controls Ended

The first task, therefore, is the ending of controls, partly accomplished by the President's own actions. There are, however, a number of laws, dependent on the various declarations of emergency and on the duration of the war itself, which President Truman did not terminate. These should be definitely repealed, preserving only those which should form part of a more permanent program such as the maintenance of American troops in Germany and Japan. In removing these controls, various special problems arise which must be dealt with by legislation. The whole emergency housing program should be recast. Special legislation will have to be adopted relating to sugar and probably wool. These are only samples of transition legislation.

An immediate study should be made of the various pre-war and New Deal laws, in order to eliminate many of the powers of the administrative boards and confine them to the real purpose of the various Acts. During the New Deal period, every statute was drafted by smart lawyers in the broadest possible terms to give the unlimited executive power which was the very essence of New Deal policy. If Congress wishes to continue these programs, the scope of each program should be definitely determined by law and reduced from the present excessive power.

Labor Program

The second program relates to labor. The people have resented the interference to their daily lives brought about by the exercise of arbitrary power by labor union leaders almost as much as they have resented the interference by government. Often the labor action has been encouraged by the government. The Republican Party has frequently declared its belief that he solution of employer-employee relations rests on a sound system of collective bargaining. In the early part of the Century, all of the power of collective bargaining rested with the employer, and he abused that power. By a series of laws such as the Clayton Act, the Norris-LaGuardia Act and the Wagner Act, Congress attempted to redress the balance. Perhaps these laws would not have gone too far if they had not been supplemented by many rulings of executive boards and by many court decisions which carried the laws far beyond the original intention of Congress. The result has been to shift the balance of power so far that it is way over on the side of labor unions. If arbitrary power exists, arbitrary labor leaders are bound to use it, and every other labor leader has been forced to use it or lose his power. As I see it, the job of Congress is to reverse some of the things which have been done by law, regulation or decision until employer and employee can meet on a fairly equal basis, and neither of them be tempted to insist on unreasonable demands because of the excessive power given to obtain those demands. The Republican Party last year supported a bill to require labor unions to engage in collective bargaining and making them responsible in court for violations of their collective bargaining contracts. It is generally admitted that labor unions desiring to be certified as collective bargaining agents should register and furnish financial reports to their members. The bill last year also set up Federal mediation machinery to establish an independent mediation board operating impartially between employer and employee. It is generally felt that in recent years the government boards have strengthened the hands of labor unions by almost taking their side in every controversy. The bill also provided that foremen could not be considered employees for the purpose of the Wagner Act, but as part of management. The bill also outlawed the secondary boycott by which unions have tried to bring pressure to support their claims through threats and injury to innocent third parties, and have actually shut out from certain markets goods made by members of unions of which they did not approve.

Legislation Proposed

All of these legislative proposals were sound measures last year when they were vetoed by President Truman, and they are sound today. They will be included in any Republican sponsored labor bill. Many additional proposals have been made, the most important of which, probably, are the following:

1. The outlawing of closed shop.
2. Some limitation on the power of nation-wide monopoly bargaining which brings about the nation-wide strikes that interfere so seriously with the welfare of the people.
3. Measures intended to limit violence in labor disputes.
4. Proposals for a labor court and compulsory arbitration.

None of these four proposals has received as yet sufficient study. The Republicans propose that hearings be started immediately on all of these proposals so that a bill may be reported to the Senate by March first. The Committee may determine that some of these proposals are without merit, or that they require a more fundamental study than can be made during the next two months. If it approves any additional measures, they can be added to the program already approved and reported out in one bill. I believe most Republicans feel that they have a mandate from the people to adopt legislation which will put employer-employee relations on a basis just to all and discourage the strikes which have so seriously interfered with the welfare and progress of the people.

Reduce Expenses and Taxes

Republicans have stated their intention of reducing the expenses of government and cutting the personal income tax. The present burden of taxation seriously hampers the welfare of the entire people. Single men or women earnings $1200 a year, on which it is difficult enough to live, have to pay $110 in taxes. The President of the United States receiving $75,000 a year, pays $40,000 in taxes. The very wealthy pay up to 90% and certainly have no incentive to take a risk in the new ventures which create employment, or do otherwise than invest their money in municipal bonds. All of these taxes are so burdensome that there is a constant effort to redress them by increasing wages and salaries. Of course that means increased costs, increased prices and inflation. It is essential that total personal income taxes be reduced by 20%, and this can be done if the budget does not exceed $34 billion. The President has somewhat complicated the problem by removing one-third of the excise tax on liquor and various other luxuries, but after all these could be restored. There is no reason why the budget shouldn't be far below $34 billion without interfering in any way with the strength of our military forces throughout the world. Such a reduction is the

Republican program. Of course, tax reduction must be contingent on the reduction of expenses and a balanced budget.

There are a number of house-cleaning jobs to be done. We intend to propose a Constitutional amendment limiting Presidents to two 4-year terms; also an amendment to eliminate what is left of the poll tax as a condition of voting in five or six States. The minimum wage law must be revised, and something done to eliminate the windfall claims resulting from the Supreme Court opinions on portal-to-portal pay.

I feel very strongly that some action should be taken toward the unification of the armed services. A careful study of the different plans proposed by the Army, the Navy and others should be immediately begun, and the best one of those plans put into effect. Action should be taken to return the enlistment in the Army to a volunteer basis as rapidly as possible.

Unanswered Challenges

And so we come to the broad program for the future. After fourteen years of unfilled promises by the New Deal, these great challenges of our times remain unanswered:

1. How to eliminate business crises without imposing a socialistic control to deaden the productivity of a free system.
2. How to reduce strikes and turn labor-management warfare into cooperation.
3. How to insure constantly improved sustenance, housing, medical care, greater security for the aged and the unfortunate and more widespread education for all our people. In short, how to make our communities better places in which to live and work.
4. How to improve and strengthen the United Nations setup to secure peace and justice throughout the world without compromising the liberty of any nation.

The Republican Party recognizes these as great goals of a good society. They know such goals cannot be achieved by empty promises, and they propose to deal with them by legislation and study.

They propose to back wholeheartedly the economic study and constant report required by the Full Employment Bill as that bill was rewritten by the Republicans in Congress. Unless business crises can be greatly reduced in intensity, they fully realize there is serious danger of this country turning to regimentation and socialism as a solution.

Whatever labor bill may be adopted, a much broader study of all employer-employee relations should be promptly begun in the labor field, calling in the leaders of all the groups to insure cooperation and the best expert advice.

I am particularly interested myself in the fields of housing, medical care and education. A committee under my chairmanship made a complete study of the long-range housing program and prepared a bill to cover all phases of the housing program. This includes increased government assistance through insurance and otherwise for the construction of rental housing, an urban redevelopment plan which will make slum areas available for private housing, and a limited public housing program to provide quarters for persons with subnormal income. I intend to join in reintroducing these measures, although it may be wise to divide them into several different proposals. Nothing is more important if we wish to give children born in the United States an equal opportunity to make progress in life than decent home conditions. Because of the cost of housing, it is impossible in my opinion to get rid of the slums and provide decent housing for the lowest income families unless public housing is part of the overall program. It should never be necessary to build public housing in an amount more than 10% of the total new construction in any year.

Aid For Education

I believe also that there should be some assistance by the Federal government to insure that no child shall be illiterate simply because the State in which he lives is unable to provide an adequate education. If a State makes an effort greater than the national average and is still unable to provide the minimum necessary to give children at least an opportunity for a minimum education, then I believe the Federal government should assist that State. In this field, as in all public welfare measures, Federal legislation should absolutely assure to the States and local governments, complete power over the administration of their own health and welfare. Furthermore, the Federal aid cannot be so great that it imposes a burden of taxation which deters the very initiative necessary to produce the taxes. I do feel very strongly that the Federal government should assist in putting a floor under absolutely essential services. I believe the American people think that in a country as productive as the United States we can and should eliminate extreme poverty, hardship and lack of opportunity for American children.

Health Assistance

So, also, in the health field, we are proposing a program to assist the States and local governments in making their treatment of the indigent and medically indigent more systematic and complete. We should encourage the formation of plans for voluntary health insurance to be available to those who wish to take it out. On the other hand, we strenously oppose the Wagner-Murray-Dingell bill, which attempts to impose a complete system of compulsory sickness insurance on all the people in the United States. That plan would tax the people to raise four or five billion dollars a year to pour into Washington to be used by a Federal bureau to pay all the doctors to give free medical care to all the people of the United States. It is not only a socialization of medicine, but it is the federalization of medicine. No other measure before the American people proposes such a tremendous increase in the right of the Federal government to interfere with the daily lives of the people. It flies in the face of every principle for which the Republican Party stands.

We are also proposing a measure to set up a permanent scientific foundation to promote research in many fields. Our measure creates a scientific council of 50 leading scientists to select the director and determine the scope of the work. This is a substantial modification of the Kilgore-Magnuson bill of the last session which authorized the President to appoint a director with 15 bureau chiefs and an elaborate organization, directly subject to political pressure.

Agricultural Needs

One of the most serious problems relates to agricultural prices and the development of a permanent agricultural program. For two years the government's guarantees of 92% of parity will assure good farm prices. During that time we must work out a permanent program, designed to keep the general average level of farm prices without subsidy in line with the price of industrial products. Several Republican committees have been working on this subject, and a program will probably be developed for presentation to the 1948 session.

Foreign Loans

In the field of foreign trade the Republican Party is not so much inclined as Henry Wallace and the New Dealers to make huge loans on a scale which probably will never be repaid, but they do favor reasonable assistance to nations trying to get on their feet. Export trade based on lending is artificial and uncertain and inflationary. When the lending stops as it must if its extent is too great, the boom collapses as it did in 1929 and the resulting unemployment threatens the security of the nation. Export trade must be based on a sound development of exports and imports.

There is no doubt that we require and will import huge quantities of goods, but we do not favor the importation of goods which we make ourselves in such quantity and at such prices as will destroy any American industry providing a substantial part of American consumption. In other words, we favor reasonable tariffs, not prohibitive tarriffs, but not free trade.

In the general field of foreign political policy, I have great confidence that the Foreign Relations Commitee of the Senate under the leadership of Senator Vandenberg will continue the bi-partisan support of Secretary Byrnes' policy in Europe and develop similar cooperation in other fields throughout the world where the results up to this time have not been so satisfactory.

In short, the Republicans will set in motion at once a new program, and bring it to a conclusion as soon as the present ground is clear through the adoption of necessary emergency action. In every field they will invite counsel from the best minds, initiate studies and recommend measures for future enactment.

Atwood Named to Fed. Reserve Council

Henry E. Atwood, President, of the First National Bank of Minneapolis, has been appointed a member of the Federal Advisory Council by directors of the Federal Reserve Bank of Minneapolis the Bank announced on Dec. 28.

The directors also elected Albert W. Mills, formerly Cashier, as Vice-President and Cashier of the Federal Reserve Bank of Minneapolis. The announcement by the Reserve Bank also said:

"Mr. Atwood, whose appointment is for one year effective Jan. 1, 1947, as the District's representative will confer with members of the Board of Governors of the Federal Reserve System on general business conditions and make representations to the board on general affairs of the system.

On Dec. 31 Roger B. Shepard, St. Paul, was redesignated Chairman of the Board of Federal Reserve Bank of Minneapolis to serve for the year ending Dec. 31, 1947.

The Board of Governors of the Federal Reserve System also reappointed W. D. Cochran, Iron Mountain, Mich., as Class C director for a three-year term ending Dec. 31, 1949, and redesignated him Deputy Chairman of the bank's board for the year 1947.

Appointed directors of the Helena, Montana Branch of the Federal Reserve Bank of Minneapolis it was announced on Dec. 28 were Theodore Jacobs, President of First National Bank, Missoula, Mont., and E. D. MacTaffie, President of State Printing Co., Helena, Mont. They will serve two-year terms. Directors of the Minneapolis Reserve Bank also elected Robert E. Towle, formerly managing director of the branch, Vice-President of the Federal Reserve Bank of Minneapolis assigned to the Helena branch. Designated Assistant Cashier assigned to the branch was Clinton J. Larson, formerly Assistant Manager.

The United Nations and World Peace

(Continued from page 132)

of everything. They underlie all other problems. On their answer depends whether we live in an atmosphere of peace or war, dissipate our wealth in a huge military establishment, conscript our youth, prostitute our minds with fears and aggressions, tax ourselves to the hilt—and eventually arrive at exactly the result we most dread.

The first dramatic point about this first meeting for us as Americans is that it took place on our own American soil. How true indeed the saying that "Westward the course of History holds its sway." How little would the Pilgrims have anticipated only three centuries ago that the capital of the world would move onwards to the rocky, inhospitable shores to which they were struggling to cling! Or the Founding Fathers striving to bind together into a single nation the 13 scattered and bickering colonies! Or, on the other side of the world, the ancient Greek who had watched his triremes set sail from his center of the world into the treacherous Aegean. Or, the Roman Senator as he looked out from his seven hills to the far confines of his Empire! Or even the 19th-Century European who had seen civilization reach its richest flower on his continent and had scarcely noticed his more adventurous fellow-countrymen going out into the barbaric lands across the seas in search of gold and riches. Most incredulous of all would probably be our own later-day isolationists such as California's Hiram Johnson, who tried to keep our country out of the organized community of nations, as King Canute tried to stop the tides.

The President of the United States gave the most succinct expression to this startling reversal when, speaking from the rostrum of this great meeting, he welcomed the delegates of the world's nations as follows:

"After the first World War, the United States refused to join the League of Nations and our seat was empty at the first meeting of the League Assembly. This time the United States is not only a member; it is the host of the United Nations."

Struggle of the Assembly

For half a hundred days the delegates at this Assembly have fought and struggled. It has been hard, bitter going. The physical difficulties were of the greatest: an hour each morning and each evening just to get to and from the place of meeting. And then long, sometimes almost interminable debates going on, regardless of the lunch or dinner hour and doubling up at the end to night and Sunday sessions; the innumerable difficulties of always two, often three, and sometimes four languages; the differences of parliamentary rules and practices; the mental effort of even trying to understand what the other people were aiming at—it was a *tour de force* even to keep this vast machinery moving at all.

But above all the mechanical problems were the political and psychological. The world is yet far from peace. The echoes and fears of battles still reverberate. The international community is a long way from having settled down. There are huge areas of uncertainty: the Soviet world, which may not even itself be sure where it is going after the terrible convulsions which have shaken it since the revolution and the recent war; the Arab world which is awakening to an assertive nationalism; the colonial world which is seething throughout its hundreds of millions of peoples; the Western European world which is struggling to rise again within its now shrunken confines; even our own world which does not seem to see its course at all clearly. Small wonder, indeed, that agreement was not immediate and that conflict surged back and forth, even over apparently insignificant questions.

The debates were the hardest and the harshest in international records. Bad motives were ascribed in the heat of the moment; the policies of nations, including our own, were indicted. Some deplored this, and perhaps there was at times too great a license, but how fundamentally healthy it is to have the nations face it out across the council table and speak bluntly what really is in their hearts! Wars are not made in this way; it is when nations withdraw from the council table, as we did in 1920, or Hitler in 1932, that the danger flag must be run up.

Now that all the smoke is clearing away and the delegates are scattering by plane, steamer, and train to the four corners of the globe, it can be seen that a great residue remains for the construction of the world's edifice of Peace. The foundations have been laid and some of the buttressing walls put in place. The structure will never be complete as long as mankind survives on this planet; always the hope will be that in each storm that sweeps over the world the walls will be strong enough to protect us from still another world conflict.

Results Achieved

While it is impossible to cover all the results achieved in these long meetings, let me mention a few highlights:

1. **Veto:** Let me take this first as most discussed and least clarified. Argument will probably go on for a long time as to whether the intense debates in the Assembly and the Commission accomplished any real result or resulted only in a polite platitude. In sum, the Great Powers, which alone possess the veto, were merely asked to make efforts to limit its use voluntarily, but not before there had been a great clarification of the views of the other nations and a sharp criticism of recent practices. The sharpest proposal, involving a definite condemnation aimed at Russia's free use of the veto, was rejected under the strong urging of the United States and Britain, which, while not agreeing with what had been done, nevertheless wanted no word of reproach for the past. Similarly, another proposal for a conference to consider revision of this part of the Charter was also rejected as premature in this first year of the agency's experience. The debate threw into sharp relief the cleavage of principle which exists between those like the United States, which would apply the veto only at the last moment, when the Great Powers are confronted with the responsibilities of enforcement measures, leaving all the preliminary steps of peaceful adjustment free from veto; and others, like Russia, which have always held that once a chain of events was started which might end in the need of armed action, it was necessary to control it from the beginning in order to prevent it creating an insurmountable difficulty. As one delegate put it, however, the veto is not the disease; it is only the symptom of the lack of confidence which exists between nations.

2. **Disarmament:** Here, to everyone's astonishment, a beginning was made. Almost no one would have predicted it before the session; the result is another illustration of the power of spontaneous combustion when men from many countries and viewpoints come together. A Russian proposal for a census of troops in non-enemy countries, which had been embarrassing to some and suspect to others, was widened by successive additions during the debate to cover armed forces and armaments everywhere, not only men but materials, and not only abroad but at home. No one can predict how far this will get; at least it is a start on a long, long, road. And the Security Council at last has a positive task to perform in place of the somewhat stale debates which paralyzed it last year.

3. **Atomic Energy:** Here again you will be reading in your New Years Day papers an interim report on this most awesome of problems. While Atomic Energy is a matter specifically for the Security Council, there can be little doubt but that the presence of the Assembly, with its uneasy and unsatisfied delegates from all over the world, constituted a powerful pressure which led the Security Council to decide to report to the world on Dec. 31 just where it stands with this problem. The discussions have been long and laborious over a 10-month period, weaving back and forth from the political to the technical, and were obviously disappointing to many of the Assembly delegates, but at least they are under way and the world will soon know objectively where they stand.

4. **Political:** Almost all questions in the United Nations have a political coloring now that the ideological lines are so closely drawn. But some are predominantly so, as the Spanish problem which has plagued the world's governments ever since the revolution and the unsavory non-intervention days. Again pressure for outright severance of diplomatic relations came from two opposite ends of the world: The Soviet group and the Latin-American, but the United States and Britain were firmly against such action, feeling it would be more effective in securing what everyone wanted if, as long as Franco remained in power, Spain were debarred from all United Nations activities and her people invited to set up a provisional government to hold a free election. Eventually the Assembly passed a resolution debarring Franco Spain from all United Nations agencies, recommending that members withdraw their chief representatives from Spain and leaving to the Security Council any further measures.

The Greek issue also came before the Assembly in disturbing echo of the Spanish and with the dramatic appeal of the Greek Prime Minister against bands claimed to be invading Greece from neighboring countries. The Security Council went at length into the matter and decided on the immediate dispatch of a Commission of Enquiry to the disturbed frontier.

Finally, in another passionately debated issue regarding the charges of the Indian Government against the treatment of Indians in South Africa, the Assembly noted the impairment of relations between the two governments, urged treatment of such Indians in conformity with treaty obligations, and requested a report from the two governments at the next Assembly.

5. **Trusteeship:** The last principal agency provided for in the Charter signed at San Francisco a year and a half ago, the Trusteeship Council, which it had not been possible to create along with the others at London, was at last put into place. After long and often bitter debates, which were perhaps stiffened by South Africa's claim to annex German South East Africa and America's unexpected proposals for the Pacific Islands, the agreements submitted by the other Powers which exercised mandates under the League of Nations growing out of World War I, and were now prepared to convert them into trusteeships under the United Nations, were approved with modifications, and the membership of the Trusteeship Council made definitive, with the first meeting not later than March 15. Also, detailed arrangements were worked out for the receipt and handling of information from other non-self-governing territories, which may turn out to be one of the big advances of the Charter. But South Africa was refused annexation of the territory claimed and requested to place the territory under trusteeship, submitting a specific agreement to this end. The United States proposal did not come in for public discussion at this time, as it would classify the Pacific Islands as a strategic area rather than a simple trusteeship and must consequently be discussed with the Security Council.

6. **Economic and Social:** Here a vast field was covered with very unequal progress. History's greatest relief agency, UNRRA, had to be allowed to pass out of existence because of the withdrawal of the United States, the largest contributor, but a Special Technical Committee was appointed to survey and advise on continuing necessities and an important International Children's Emergency Fund was authorized to care for this most poignant part of the problem. Refugees and displaced persons were once again buffeted around in the conflict of principle between the Western idea of right of asylum and freedom of choice of residence, and the Eastern idea that many refugees are political agitators and should mostly be returned home, but eventually the Assembly provided for the creation of the International Refugee Organization, with a budget of around $160,000,000, which however, must still be raised. The Assembly had better fortune in steps to coordinate action regarding the reconstruction of war-devastated areas, in meeting the world shortage of cereals, and for raising the world's standard of living. So also in the field of international law, there was greater unanimity, including creation of a committee of experts to work out a precise program for its progressive development, a beginning on an international agreement on human rights, another agreement to classify "genocide" as an international crime, and arrangements for continuing the League of Nations' very effective treaty registration, and its studies on the legal status of women. In the social field, the Assembly arranged to take over the League's valuable work as regards narcotic drugs, together with considerable

social work initiated by UNRRA and otherwise now terminating. Finally, almost unnoted, it authorized the convening, before the end of 1947, of a world conference to consider freedom of information in all the principal fields of press, radio and films.

7. Organization: Finally, the Assembly did a lot of essential housekeeping for the Organization. It elected four new members, Afghanistan, Iceland, Sweden and Siam, bringing the total membership to 55 states. It also elected 3 rotating members of the Security Council and 6 of the Economic and Social Council. It approved the budget for 1947 totaling $27,740,000; named a small Administrative and Budgetary Committee for first consideration to such problems; took steps for the supervision of the budget of the dozen or so associated agencies; examined and approved the draft convention regarding the diplomatic rights and privileges for the Organization and the Staff; approved arrangements with the United States, Switzerland, and Holland on matters pertaining respectively to the United Nations, the League of Nations, and the International Court; formally approved the appointment of the eight assistant Secretaries-General; made other necessary administrative arrangements for a personnel now close to the 3,000 mark; adopted an official emblem for the organization; and changed its annual meeting date to the third Tuesday in September. Finally and most important, it approved the arrangements for taking over all the remaining assets and functions of the League of Nations.

8. Site: Special mention must be made, however, of the headquarters problem. At long last, after months of uncertainty and considerable wandering, the United Nations is moving towards a permanent home. This proved to be one of the most difficult problems that the Organization had to face, for the very good and simple reason that there is no one place in the world that is ideal from all points of view as a world headquarters, and there are, on the contrary, strong arguments of distance, of scarcity of housing, or of politics that can be invoked against almost any specific proposal. Last January, the fateful decision was taken, first, to locate somewhere in the United States, and then specifically in the Westchester area, New York, as most generally accessible. Temporary headquarters were transferred immediately to the New York area, first to Hunter College and then to Lake Success, but New York proved very congested and somewhat overpowering, and the decision was taken at this Assembly to widen the search to include Philadelphia, Boston, and San Francisco. The Commission visited the four areas in a quick air trip and finally recommended Philadelphia and San Francisco as having both equal merit. The United States then said it would be glad to contribute the Presidio site free; Soviet Russia announced it would not send delegates as far away as the Pacific Coast; the United States declared flatly in favor of the Atlantic Coast as most accessible to the principal United Nations members; Mr. John D. Rockefeller, Jr. came forward with a dramatic offer of an $8,500,000 site in midtown New York; and the Assembly immediately and unanimously seized on it as the only generally acceptable way out of an insoluble difficulty. It will take four years to build the new plant required; meantime the temporary headquarters will remain as at present.

At the same time, the former League buildings at Geneva have been fully taken over and will be the seat not only of an appreciable Secretariat but almost certainly of a constantly increasing number of conferences.

Will Another War Be Prevented?

And now we must ask that second question: What are the chances that all this mechanism and effort can spare the peoples of the world another war? That, after all, and not the minor matters, is the key purpose and object for establishing the United Nations.

My own very deep and sincere conviction, based on continuous association with this type of work since the first Paris Peace Conference in 1919, is that the United Nations has a good fighting chance of preserving peace and preventing war if the governments and particularly the peoples of the world make it their vital interest that it do so. A fighting chance, I repeat, even a good fighting chance, but by no means a sure thing. No mechanism conceived of man is infallible, and least of all a political mechanism; even our own superb national constitution did not prevent the cruelest civil war in history, nor would anyone today say in face of all our strikes and maladjustments that we have established unbreakable peace at home.

Let us be very sober and solemn about this. There **can** be peace amongst the nations if their governments and peoples will it sufficiently. But peace is not automatic. Quite on the contrary, there is some justification in Mussolini's cynical remark that it is against human nature. Guns, battleships, battles are always more thrilling than the softer, quieter activities of peace; they make one's blood throb through his veins as does no agreement in conference, no matter how vital. There is a deep psychological law here which probably dates back to the terrors of the jungles and which certainly has never been sufficiently studied as one of the deterrents to peace; there is a certain static milk-toast atmosphere about peace which is very hard to overcome. This shows itself unmistakably in the press; the journalists predominantly seek out the few lines of conflict or dispute; there is little news, and certainly still less excitement, about agreement. Peace is, after all, the last great pinnacle, which mankind has never yet scaled, in his long climb upwards from the swamps to civilization; there lies deep within him another and more destructive tendency which drives him on from his ancient past to such awesome experiments as Bikini. It is preposterous for any one of us to think that peace can be assured all at once or without the most supreme effort which mankind has ever put forth in all his age-long evolution.

The United Nations is a mechanism, a good mechanism, but only a mechanism. It will not operate by itself any more than will any other mechanism. It requires both fuel to give it power and direction to guide it. It will go as far and as straight as, but no farther and no straighter than, the governments and peoples of the world demand. Whether it is able to achieve its great goal will depend in part on the skill of those in government who are at the steering-wheel, but still more on the massed will-power of the world's millions whose interests it has been established to serve. Merely to proclaim the United Nations, to draft a beautiful charter as in San Francisco, and then to sit back expecting peace is about as fatuous and as sinful as declaring war and then sitting back and awaiting victory. The world's great boons do not come as cheap as that, and least of all, the greatest boon of all. Peace has got to be fought for with utmost consecration and devotion; there is, as President Roosevelt well put it, no easy, royal road to peace.

UN Is Not A Government

The greatest essential at the moment, I think, is to understand just what the United Nations is and what it is not. The worst thing we can do is delude ourselves or use false pretenses to build false hopes. It is vital from the very outset to recognize that the United Nations is not a government, but a method of cooperation between governments. It does not have entity and being in a stratosphere of its own; it is an emanation, an extension of, even a bridge between, governments. The United Nations cannot **impose**; it can merely recommend. It cannot make laws; it can only draft treaties or recommendations which can be enacted into laws if the soverign states so desire. It cannot tax even for its own insignificant expenses; it can only ask contributions from its own member states.

Weak, you say? Yes, very weak in actual delegated powers. But do not hold the United Nations responsible for that: the responsibility, if there be such, lies not with the United Nations, which is only what its creators made it, but rather with those creators, the governments and peoples of the world, who, despite the horrors of two world wars in one generation, are not yet ready to give more power to a central world organization. The organization itself cannot be held to blame for this. Nationalism runs very deep; fear and mistrust of the foreigner is very strong; few peoples are willing to give control to an agency which they cannot themselves control or at least check. Many of us are critical of the Russians for their insistance on the veto; we seem to forget that we ourselves refused in 1920 in Washington to join the League of Nations because we felt it might diminish our sovereignty and in 1945 at San Francisco demanded unanimity amongst Great Powers as a *sine qua non* of our membership in the United Nations.

Comparison With League of Nations

Some have said and many have assumed that the United Nations is based on a different principle from the League of Nations, that we have used the experience of the League and the horrors of a second World War to hammer out a radically different document. That would be a natural assumption and at least a partial recompense for the unprecedented sacrifices. But it is not true; the United Nations is equally an association of sovereign states subject to many of the same weaknesses as the League of Nations. It has a far greater chance of success than the League was ever permitted to have, but it is vital to any understanding of world-life to realize that that is due not to any constitutional but rather to a political reason. The difference between the two agencies lies in a single factor outside their own control, namely, that the United Nations has the supreme good fortune to have within its membership the two most powerful nations in the world, the United States and the Soviet Union, which, except for a few years for the latter, was denied to the League through no fault of the League.

One of the greatest, and perhaps the most permanent, results of the second World War was to bring these two nations into the movement for organized international cooperation. It was not easy to do so; adaptations and even sacrifices had to be made. They were seeking to follow unfamiliar and previously repudiated paths. It is, of course, arguable, but I am inclined to believe that there was less transfer of authority to a central agency, less impingment on unrestricted national sovereignty, more emphasis on unanimity and veto, less full trusteeship for dependent peoples than would have been the case if the League-experienced powers had been free simply to pick up from where they had left off at Geneva and gone on with these lessons in mind. But the price was worth it and gladly paid in the conviction that time would operate to overcome the first cautious fears. Already the ground-swell of world opinion which has surged forth at the First General Assembly seems to justify this view; it is interesting to note, as a sidelight in this country, that where the League of Nations was attacked because it went too far, the United Nations is attacked from the directly opposite direction that it does not go far enough!

It may seem curious that one like myself who has had nearly 23 years with the League of Nations and four with the United Nations should admit so readily to such weaknesses. Many would feel, and even prefer, that I should concentrate on the good points, and certainly it would be more comfortable for you if I did . . . if I said you have nothing to worry about, that the United Nations would do it all for you. But that would, I feel, not only be irresponsible Pollyanism; it would even be criminal in these sober days. This is, in fact, **your** United Nations: it controls **your** future, decides in the ultimate the kind of world in which you are going to live. You have a right to know cold-bloodedly and objectively where you stand with it and not to be lulled into a false security that this is the best of all possible worlds. I should like to make you feel that the United Nations is not sure of working without your constant care, thought, effort, and devotion, that it is, in short, a personal responsibility. You cannot ignore it, elect hostile public officials, fail to support public opinion groups such as this Institute, let your government be reactionary or uncooperative, and

(Continued on page 154)

The United Nations and World Peace

(Continued from page 153)

still expect your United Nations to do its job. It will not; there lies the road to another world war.

Not Doomed to Failure

But does this lack of direct powers mean that the United Nations is of secondary importance or even doomed to failure? The answer is flatly no. The nations can agree to anything they want to agree to, including specifically giving the United Nations more direct power. But even today, with its present powers, it has immense strength and influence and is the world's most powerful single force, as anyone who had the good fortune to attend the Assembly discussions can attest. Veto or no veto, direct power or indirect, there can be little doubt but that, because of the pressure of world opinion focussed through the United Nations, foreign troops have been withdrawn from Iran and Asia Minor far sooner than intended, the first steps have been taken towards disarmament, a beginning has been made on controlling the atomic bomb, the welfare of dependent peoples has been advanced, and world society knit more closely together in a hundred different ways. The United Nations has immense power as a clearing-house, a co-operative center, and a place for mobilizing the opinions of the widely scattered elements of the human family who might otherwise neither hear or be heard by their fellow human beings, on whom, in one way or another, their fate and future may depend.

Sees Strengthening of UN

But the United Nations will not continue indefinitely as merely a loose association of sovereign states. The whole history of mankind indicates that it will move in one direction or the other, either forward or backwards, but never on dead center. If it is forward, it means more strength, more confidence, and more chance to contribute to peace; if it is backward, as God forbid, if nations hold back or merely stand pat, it means war as surely as that night follows day. Personally, I have no doubt of the answer; I think we have at least the rest of the lifetimes of the youngest of us to struggle along these lines. We must not get panicky because the millenium does not burst upon us at once in the afterstorms of history's most terrible war.

Specifically, this does not mean, as some of our most sincere people seem to feel, that we have to dig everything up by the roots and start all over again. It took a colossal effort, even the consecration of a world war, to get this far. Let us not jeopardize it. Progress will come, I think, not by a violent operation in a world tired of violent operations, but by slow, steady accretion, by adding a bit here and a bit there, by moving in a new piece every now and then, or replacing an old piece by a stronger one. Nations are cautious, even unduly suspicious. They want to test the ice carefully before venturing out into the pond. They will do a bit today and a bit tomorrow as they gain experience and confidence. If they did not advance any more radically in the United Nations over the League of Nations than they did with all the horrors of World War II echoing in their ears, they are not likely to take a huge, sudden step in the relative quiet and let-down of peacetimes.

The United Nations is, indeed, the next immediate step in mankind's faltering progress from cave-life to ultimate civilization. It is not itself the ultimate, but it represents the most and the best that we could get from the nations asembled at San Francisco. It offers much for today and an unlimited challenge for tomorrow. But there is this word of warning: those who want improvements send them to the wrong address when they send them direct to the United Nations; they ought instead to send them to the individual nations who have in their hands the future of the United Nations. The United Nations knows full well its own limitations and weaknesses. In other words, recourse should be had to the doctor and not the patient. We had enough in the last inter-war period of governments who were responsible for the destiny of mankind hiding in a cowardly fashion behind a League of Nations which wanted to act but could not act because of those very same unctious governments.

Lines of Possible Development

The lines of possible development seem to me already outlined. They provide a rich program for years of effort and progress. The United Nations will inevitably strengthen still more all its centralizing and cooperative functions, and in addition add new powers and activities. We can fight to give it a central position in the all-important field of armaments and atomic energy, increase its economic and financial work, add to its social and humanitarian endeavors, help it raise world health and food standards, widen international law, settle or at least attenuate the veto . . . and, by no means least, secure a budget commensurate with the tasks it has to perform for the good of humanity. Our aim now should be, I think, to foresee all these possibilities, be prepared to jump the moment one of them opens up, and press forward on as many fronts as possible.

And let us ever remember that the United Nations operates on two different levels, one negative and the other positive. On the one hand, it is a police force to suppress war if humanly possible, and even, if unavoidable, to meet force by greater force. But its other function is far higher, namely to remove the causes of war through such an improvement of human conditions and standards that war will become genuinely archaic as a method of redressing grievances. As human society advances, as it goes into the calmer waters that will surely follow the upheavals of the last war, it is this side of the United Nations which will take the greatest development just as in municipal life it is the departments of public welfare, education, health, and highways, which far surpass those of police and fire. We have to begin gradually; we have to start with our police and vigilantes. We must recognize that international life is still in a very embyronic, almost uncharted condition, but at least we can now see the goals and the tracings leading to them. Mankind is indeed engaged in his greatest universal effort, his greatest step in the political evolution of history.

The Task of Individuals

And now just a few final words on the third question: Is there anything we ourselves in our small individual worlds can do about all this? The answer is emphatically yes. There are infinite things that individuals can do at this cross-roads of world history. The Preamble of the United Nations Education, Scientific and Cultural Organization bases UNESCO's whole effort on the striking phrase that wars are born in the minds of men. Let me suggest a few mental attitudes which must be changed if we are to have peace.

First and foremost, mankind must radically change his whole mental outlook if he really wants peace on this planet. He cannot have it cheap or at little effort. He must make the prevention of war a major interest and not a wholly secondary interest for spare moments. He will have to do a wholesale mental housecleaning to rid himself of accepted theories which he has carried over from his caveman days.

I had started to speak of man's age-old desire for peace. But this is a false expression; man's age-old desire has been for war. Good, kindly, really civilized people will not like that statement, will even resent it, but it is true. It is only in the most recent few seconds, so to speak, of man's stay on this earth that he has not glorified war, held it almost as good, clean sport, "gone off to the wars" as it was put, with the joy of a football game. Tribal chiefs, princes, kings and emperors have organized war through the ages as the final expression of their strength and virility, whether for food, land, empire, or glory. It is only yesterday, comparatively speaking, that war became ignoble and outcast as "an instrument of national policy."

To Change Man's Warlike Nature

It will be mankind's most difficult task to change this basic viewpoint, all the more because it is so little understood. Deep encrustations of it lie in all our temperaments, even those who least realize it. War responds to our aggressive tendencies, to the instinct to hit out, to the instinct to kill which even the mildest of us possess deep down within us. It will require a huge psychological effort to do away, or at least harness, this primitive force and much of it may have to be done in the subconscious. But there are at least some surface elements at which we can work constantly:

Personal irresponsibility is the most obvious. Most people simply leave foreign affairs to the government. But it is just that sort of indifference and irresponsibility which enormously increases the chances of war. If even the majority of individuals around the world felt that each one had his own share and responsibility in preserving the peace of the world, that peace would be preserved. First and foremost, we must each of us recognize that world problems are our own most vital and personal concern. They are not something far off in another stratosphere; they go straight into our homes and decide whether we stay there or go out to the furthermost confines of the earth. We must think straight, vote straight, give straight. We could well afford to set aside a specified time each day to understanding this world in which we live and a specified percent of our income each year to help doing something about it. He who tries to wash his hands of the whole affair deserves the foxhole in which he may well find himself.

National irresponsibility is the logical companion of the previous. The United States stands today in the proud but awesome position of being the most powerful nation in the world. Few of us, however, are conscious of our power or the effect on the world of our every action. We are a kindly, generous, peaceful, well-disposed people; we seek no great conquests; we harbor no ill-will. But we do not seem so perfect to others as to ourselves, and actions which often appear wholly justifiable to us may cause disaster to others. Our abstention from the League of Nations in 1920 seemed to us perfectly fair and a matter for ourselves alone, but it constituted the greatest single blow before Manchuria towards the breakup of the world's peace system and the chance of preventing another war. Our Hawley-Smoot Tariff was within our powers to enact, and certainly was not enacted vindictively, but it prostrated world economy to the point of a crisis which very quickly brought us also into the morass. Our recent unprecedented demonstration of power on battlefields all over the world, our sole and awesome possession of the atomic bomb, and the pushing out of our frontiers into all the seven seas seem simple and innocent enough to us, but it is sometimes hard for the rest of the world to accept us as innocent and harmless as we genuinely feel ourselves to be. The most powerful member of a community must recognize that his slightest move is being watched and may well ripple out into the farthest confines of the world.

Self-righteousness is akin to this and comes close to being our greatest single weakness. Having a good conscience and good motives, we assume the world will take us at our own value and not ascribe bad motives to what seem to us to be legitimate actions. We can understand, for instance, our own tariff, but sometimes regard others' tariffs as unfair discrimination. We can see no harm in our keeping troops in China, half way across the world, but often look with suspicion on Russian troops in neighboring lands nearby. We have no hesitation in setting up a million square miles strategic area in the world's greatest ocean 5,000 miles from our shores but react strongly against strategic bases or outlets for other powerful nations. We are quick to criticize or distrust others but very sensitive when they criticize or distrust us. It is the age-old story of self-deception. We would be a better member of the community if we spent more time analyzing our own actions and their effects on world-life for which we are responsible and less in analyzing others' actions for which we are not responsible.

Exaggerated national sovereignty is another seed of war. How many crimes have been committed under this fair symbol of national sovereignty! Originally conceived to express the ideal of an agglomeration of people banded together as a sovereign group, it has often been prostituted to mean that a particular group is a law wholly unto itself, obligated to no higher law, in fact above the law. Nothing could be more arrogant or more contemptuous of the rest of humanity. Hitler used it as perfect cover to allow him to hound millions of Jewish and other citizens out of their own country, with utter disregard not only of their elementary human rights but also of the burdens and responsibilities caused to the countries which gave them succor. "My country, right or wrong," may have a glorious ring in war-time, but how hollow it sounds in a civilized society and what an invitation to chaos it would constitute if adopted universally!

Mendicant mentality is perhaps the least appreciated danger. Our American arms budget for next year is set at ten **billion** dollars; our United Nations contribution at ten **million**. Reflect on that for a moment; one thousand times as much for war as for peace. No wonder we do not get farther with our peace-making efforts. Too often people try to get peace cheap. What a sad sight, for instance, when the world's statesmen base their search for a world capital not on its adaptibility, its beauty, or its independence, but rather on whether they can get the land free or at least cheap. This is, I fear, symptomatic of the fact that many people are approaching the United Nations cautiously, skeptically, halfheartedly. They are not disposed to put much into it—they will not get much out of it. We spend money for every conceivable kind of insurance: life, accident, sickness, fire, tornado, burglary, etc., but hardly a penny for the greatest insurance of all. And we blow up in a few seconds time in a Bikini bomb experiment enough to pay our contribution to the United Nations for ten whole years! Let us be on guard; the budget is often the first point of attack, not for itself but for the objectives behind it. Those who want to cripple an agency but dare not attack it head on, often seek to starve it for funds. Pretty soon we may see people going up and down the land proclaiming that vast sums are being squandered in international work, without ever a suggestion of the comparative unimportance of this budget or the value of its insurance. Beware of such penny-pinchers; they are often either small-minded in their view-point or treacherous in their approach.

The individual citizen has great responsibilities and opportunities in this struggle of peace against war. We stand truly today on the threshold of the World Age. Whether we enter it gradually and peacefully through a long series of evolutionary steps which finally arrive at the goal, or whether we have to go through still another and an infinitely more gruesome world holocaust will depend very largely on individual citizens around the world. If they insist on being informed, on knowing, and on having the facts, if they then work out a considered judgment, see that the right men are elected to office, and the wrong men rejected, if they support the many agencies working in this field, and demand that their government have a right and liberal policy in world affairs, we have a very good chance that, through the United Nations and its associated agencies, we may eventually arrive at a state of law, order, and peace in this world. If, on the other hand, the individual citizen passes up these problems and leaves them to chance, we have an even greater likelihood of sliding once more down the precipice of catastrophe. Our fate is in our own hands. It is truly up to us.

Effective Date of Regulation W

The following statement for the press was issued on Dec. 26 by the Board of Governors of the Federal Reserve System:

"Regulation W as revised effective Dec. 1, 1946, provided (Part 4 of the Supplement) that, after Jan. 1, 1947, the credit value of a used automobile would be based on the cash purchase price or the "appraisal guide value," whichever is the lower. In this connection, the Board on Dec. 16, 1946, designated certain appraisal guide books for use for the purposes of Regulation W.

"Because of printing difficulties certain of the designated guide books will not be delivered by Jan. 1, 1947. The Board has therefore postponed the effective date of the designation, with the result that the guide books are not required to be used for the purposes of Regulation W until on and after Jan. 15, 1947, and the maximum credit value until that time will be based on the cash purchase price only."

The Bank for International Settlements Revived

(Continued from page 132)

bank the board of directors of which included German, Japanese and Italian bankers, some of whom were on the list of war criminals. Moreover, as a result of the acquisition of German control over the Central Banks of the occupied countries, the Axis Powers certainly held the majority of the share capital and of the seats on the board. It is true, at the beginning of the war the Executive board of the Bank made a declaration of neutrality, and gave an undertaking to refrain from any transaction which would favor either belligerent party. Nevertheless the Bank's annual reports caused much irritation among the Allies and there was a great deal of criticism of the Bank in Britain and the United States.

Above all, the surrender to Germany of a gold deposit belonging to the Czechoslovak National Bank was well remembered and was frequently quoted as evidence of the pro-Axis policy alleged to have been pursued by the Bank before the war. It is no wonder there was a strong and widespread feeling that the only thing for the Allies to do, as soon as this becomes technically possible, would be to wind up the Bank.

As a result of the Allied victory, the Allied Governments would now be in a position to carry out this intention. After all, the shareholdings of Germany and Japan are now under Allied control, and the Central Banks of the formerly occupied countries are now free of German control. Consequently it would be easy to secure a majority vote in favor of liquidation.

It seems, nevertheless, that if the Allied Governments are still in favor of the Bretton Woods resolution, they are in no hurry for putting it into practice. This is not at all surprising. After all, the main reason for the liquidation of the Bank, that it had Axis connections, has ceased to exist. Moreover, it will take some little time before the two Bretton Woods institutions begin to operate and come into their stride. Meanwhile the Bank may serve a useful purpose by granting credits such as the Finnish transaction just concluded. Last, but by no means least, a number of countries are not yet members of the Bretton Woods institutions, and pending their admission the Bank is the only official international source at their disposal.

The question is, has the liquidation of the Bank been merely postponed, or are the Allied Governments considering the idea of its maintenance in some form as an additional international financial organization? Sentimental considerations against the Bank have weakened materially since 1944. The Czech gold affair is expected to be thrashed out before a law court or a court of arbitration, as a result of the Czechoslovak National Bank's intention to claim the restoration of its gold deposit. Anyhow it is now past history. For all practical purposes the Bank is now under the control of the Governments, since in the meantime some of the principal shareholders, the Bank of England and the Bank of France amongst them, have become nationalized.

The Bank disposes other certain resources which would become available for the assistance of weak countries if the Governments decided against liquidation. Moreover, the statutes of the Bank are less rigid than those of the two Bretton Woods institutions. It would carry out operations from which the Fund and the International Bank are precluded. In any case, the Bank for International Settlements has considerable experience in European reconstruction finance, and, since Europe is in bad need of assistance, it could perform a useful task. It could operate in close collaboration with the Bretton Woods institutions, so as to avoid clashes and overlapping.

It seems, therefore, that in the changed situation it would be possible to make out a strong case in favor of the maintenance of the Bank for International Settlements. Whether the decision will be taken in this sense, or whether the Bank has merely been granted a few months respite, remains to be seen.

Dividends of Savs. & Loan Assns.

Americans received approximately $106,207,000 in semi-annual dividends from savings, building and loan associations at the year-end, it was announced on Dec. 29 by Raymond P. Harold, President of the National Savings and Loan League. This sends the total of dividend payments for 1946 up over the $212,000,000 mark, Mr. Harold said. He also stated that savings and loan associations have had a banner year in home financing, making over a third of the estimated $11,000,000,000 in urban home mortgages in 1946 recorded by all types of mortgage lenders. Mr Harold said that the $11 billions in home mortgages recorded this year were more than a third higher than the total in 1928 which was the best year in the decade following World War I. He said he anticipates an even better year in 1947 if nothing of a major character interferes with production of home building materials.

Employment Stabilization and the Guaranteed Annual Wage

(Continued from page 122)

more s able employment is greatly to be desired, and I would like to discuss briefly some of the considerations we face when we start thinking about what can be done toward a more stabilized employment. . . .

"The fault with most plans I have seen for a so-called 'Guaranteed Annual Wage' in the automobile business is simply that they guarantee an increase in manufacturing costs. Unless such a plan would clearly insure a substantial increase in *productivity* or in economies to offset the increase in costs, it is obvious that the result would be simply to increase the cost of automobiles. To that extent, the standard of living of all Americans would be reduced — including those who would seem to benefit from such a plan."

Ira Mosher's Position

Mr. Mosher was more sympathetic. Speaking before the National Association of Manufacturers in New York City on Dec. 5 (see the "Chronicle," Dec. 19, p. 3202), he said:

"In my opinion, the principal reason for the strained relationship between labor and management today is the worker's unsatisfied craving for security. We know through opinion polls that he wants security above everything else. He not only wants a job, but he wants to be a steady job. And, we know that he regards this kind of security far more highly than any synthetic security that the Government can offer him.

"This wholly understandable desire of the American working man is reflected in the growing demand for the guaranteed annual wage.

"I am warned that the use of the guaranteed annual wage in an NAM meeting hall causes a few people to turn purple with apoplexy, but all of you are going to hear more and more about it in the coming months, so you might as well hear a few things about it from me now.

"The annual wage is in the air and in the minds of workers. It has been promoted extensively by the unions and the government. All of us will admit it is a bad term, and hardly the answer to the worker's known craving for security, because we know that security cannot be guaranteed—at least for very long. All you have to do is to count the Utopian schemes that have tried it, and flopped. The idea that the Government can guarantee security is just as fallacious, because any such Government program is no better than the productive capacity of the economic system which supports it, and that economic system is business—your business and my business, all business.

"But merely shrugging off the guaranteed annual wage as an impossibility is no answer to the problem. The worker needs something more than the unrevealed nobleness of management upon which to build his security.

"Your Association recognizes this basic truth and is tackling the problem, not from the impractical basis of a guaranteed annual wage, but from the practical and realistic planning of stabilized employment so that steady pay and the worker's goal of security will be the natural consequences."

These statements were undoubtedly made in answer to announcements made by Walter Reuther and other prominent labor leaders that the ultimate aim of the unions is to force upon industry the guarantee of security of permanent employment for the workers—a claim which would have been regarded as extravagant, if not preposterous less than a decade ago.

The Study of Stabilization

In Great Britain and the United States, where problems concerning the economic security of workers have been studied for many generations, more emphasis has been placed on unemployment insurance than on continuous employment under a guaranteed wage to the employee. The British studies, including those of Sir William Beverage, generally ignored the possibility of solving the unemployment evil through work stabilization or a fixed annual wage. They seem to regard this as an internal question of industry—one that strives to meet the exigencies of fluctuating seasonal and cyclical market conditions, something which cannot be settled by legislation or by application of community economic action. In other words, the impracticability of a guaranteed annual wage was so manifest, that neither the British Government, the trade unions nor industrial leaders gave serious study to the matter and none proposed any action along these lines. Any plan of this nature has been, and still is, in Great Britain regarded as purely academic and wholly unsuited to actual or political conditions. Indeed, Sir William Beverage wrote in his first book on "Unemployment" back in 1908:

"If the solution of the problem of unemployment means that every man should have the certainty of continuous work throughout life, then no solution is to be expected, *or, indeed desired.* If, however, by a solution is meant that no man able to work and willing to work should come to degradation or destitution for want of work, then a solution is not indeed within sight but by no means beyond hope. *The demand for labor cannot be stereotyped, except in a stagnant industry.*"

In the United States, on the other hand, the desire of the worker for steady employment as well as the advantages to employers in having a permanent working personnel, has been recognized and has led in a few notable instances not only to plans for employment stabilization, but also to installations of some sort of guaranteed period of work to employees. But, in view of the seasonal character of many industries, as well as changing cycles of business, the cases of successful operation of these plans are extremely small, and are limited largely to a few concerns, well fortified financially and having a steady demand for their products. And even in these, the plan is applied only to a part of the total number of employees, or otherwise restricted.

Perhaps the most outstanding example and the one most widely heralded is that of Procter & Gamble. This well-known soap manufacturing concern adopted a limited wage guaran'ee plan as early as Aug. 1, 1923. As instituted, it applied to workers with wages under $2,000 per year, who were employed steadily for at least six months and who have bought or are buying stock in the company of a market value equal to one year's wages. It entitles such workers to guaranteed full pay for 48 weeks in each calendar year. Regarding the working-out of the scheme, the following statement was made by Mr. Richard R. Deupree, President of the company, on Oct. 11, 1945 (see "Chronicle," Nov. 8, 1945):

"Our plan, which has been in effect since 1923, is very simple in its concepts and administration. In effect, we guarantee a worker 48 weeks' work in the calendar year provided he wants to work and is willing to take any job which we can give to him. The employee's pay is controlled by the rate which covers the specific job that he is working on. An employee is eligible for this plan after he has worked for the company for two years; in other words, there is a two-year probation period wherein the company can get acquainted with the man and the man with the company, but if he is with us for that period he then is assured 48 weeks' work in a given year. The guarantee applies to the standard work-week whether it's 40, 45 or 48 hours.

"I think you can reason very quickly from this statement that our guarantee applies only to approximately 70% of our employees. With the two years' service requirement and the very natural coming and going of workmen, we know about 70% of our force will be steady, so that immediately our responsibility for steady jobs is limited to approximately 70% of our force. Fortunately for us, once the plan was established, we have been able to operate even through the depression on a fairly even basis; so that not only those who were entitled to operate under the steady employment plan, but most of the others have had steady work. The greatest strain came during the depression in the early 30s. During this period general conditions were so blue and uncertain that in line with our right to withdraw or modify the plan the board of directors in 1932 felt that we should take the precaution to limit the guarantee to 75% of the established work week. However, at the end of the year all employees in the plan had worked the full 48 weeks.

"When I say the plan is simple, I don't say it was simple to put into effect, because we had a great deal of trouble with our sales department when we started it, and I can talk particularly on this subject because I was General Sales Manager at that time. But without going into any of the gruesome details, I will say that within three to four years the sales department was thoroughly satisfied in having its goods regularly produced and regularly shipped. That has been the procedure of the company for over 20 years now."

Despite his optimism regarding his company's "guaranteed wage" system, Mr. Deupree does not recommend its enforcement upon industry, for in concluding his address he stated:

"I hope very much that neither the State nor the Federal Government attempts to guarantee steady jobs. I think such a program is doomed to failure before it starts, and will do nothing but make for trouble."

Other concerns, among which is the Dennison Manufacturing Company, who have adopted similar plans to insure steady employment to workers are not so large or as well-known as Procter & Gamble. They are, for the most part, local businesses having an assured minimum output, and, in some cases, severely limit the application to selected employees with long service periods. The vast bulk of industries, employing large number of workers, though undoubtedly desirous of retaining a permanent personnel staff and avoiding heavy losses arising from rapid labor turnover, have either never taken up the question of installing a guaranteed wage for all classes of employees, or have regarded some form of unemployment and severence wage benefit plan as more desirable or more practicable, or, what is more likely, they have taken measures to bring about a stabilization in the volume of employment in their factories throughout the year. This stabilization idea, which has received but scant attention in Great Britain—the home of social security movements — has been under study in this country by the National Association of Manufacturers as well as in official and private research organizations. Space does not permit the enumeration of the plans and the efforts thus far made to effect a stabilization in employment of workers by various industrial concerns, but it should be noted that Mr. Mosher, in calling attention to the studies of the Manufacturers' Association, stressed the need of more action along these lines as a way open for a wider application of the guaranteed annual wage.

Economic Handicaps

Yet, although much has been accomplished by some industries and individual concerns toward flattening out production and distributing employment throughout the year, there are, indeed, serious handicaps and evils which may arise from a broad scheme throughout our industrial economy to enforce a universal employment stabilization scheme. As stated by Prof. Harry A. Millis and Royal E. Montgomery in their book "Labor Risks and Social Insurance," the very idea overlooks what the individual employer can do in a competitive economy. The individual employer, indeed, has little control over the problem. He must face conditions, untrammeled by a theory which handicaps him in competition. Moreover, a scheme of stabilization may mean nothing more than a restriction of output and a further boost to monopolistic industries in strangling independent competitors.

This view is clearly set forth by Prof. Millis and Montgomery as follows: "There are distinct limitations upon what monopolistic industries and organized groups can be expected to accomplish toward stabilization, for what they naturally do may be precisely the wrong thing from the point of view of general stabilization. Groups in position to exercise control are prone to maintain prices of their products and to restrict output. This not only affects the consuming public, purchasers of fuels or raw materials, and buyers of capital goods, but all too frequently causes a greater maladjustment between prices than would otherwise obtain. In the swing of the business cycle, price relations get out of balance. Getting them back into balance is a condition of recovery: and keeping them in balance is a condition of maintaining a sound state of trade once recovery had been made. Indeed, it is in the exercise of control by private groups that the problem is largely to be found. The policies and devices of organized labor, industrial combinations, trade associations and other control groups have produced increasing rigidity, and it has therefore become increasingly difficult to secure proper price relationships."

The Industrial Conference Board Study

A recent study by the National Industrial Conference Board of 61 wage and employment guarantee plans reveals only one-half have succeeded and that companies that have been successful with plans have been those which have a steady flow of output and a consequent long history of harmonious employee relationships. Some companies, the study also states, are in a more favorable position than others to assume the responsibility for a guarantee of wages or employment. An obvious prerequisite for success of any plan it is pointed out, is that the concern, itself be in a prosperous condition and through years of operation, knows its market. Another vital factor is the relationship of labor costs to total cost of production. If labor costs represent a small percentage, the risks of an annual wage are proportionately less than if labor constitutes a large share of the cost. This makes such plans unsuitable to most basic industries such as steel, manufacturing, mining, autos, printing, etc., in which wage payments constitute bulk of operating costs.

Steady earnings for the worker throughout the year is undoubtedly a highly desirable objective, *but it will not be socially or economically beneficial unless it promotes rather than restrains competition and unless it permits an adjustment of prices to consumption requirements and encourages new individual enterprise.* Potential competition of new and independent concerns, not only in attracting customers, but workers as well, is the best assurance of a continuation of a competitive economy. If large industries, in order to maintain a monopolistic position, are permitted to "hoard" or "monopolized" efficient labor, competition from outsiders becomes less effective, and the general public in the end will pay the cost of such hoarding or monopoly. A guaranteed annual wage, unless justified by stable conditions in an industry and the markets for its products, if universal, will sound the death toll of small business and in the end will bring about the rule of monopoly, and, perhaps, state ownership of industry as exists in Russia. Do we want that?

Neither Labor nor Capital Should Endanger Stability: Dewey

(Continued from page 127)

But the war is not yet wholly won. The year that now lies behind us was not, as we had hoped, the first year of peace. We can now only hope that it was the last year of war. The destruction and disruptions, the staggering debts and encumbrances of war have left a leaden load upon our opportunities and upon our progress. We still have to achieve peace in the world and a healthy, productive, harmonious society at home. These are the primary tasks of 1947 and of the years that follow.

Within the lifetime of most of us a revolution has occurred in mankind's relationship to the world in which we live. We ourselves have seen the development of the automobile from a novelty to its present status of both luxury and necessity. Within our lives have come the invention of the airplane and of radio. When we recall how deeply those two inventions have come to affect the course of the world, we have little cause to doubt that even more extraordinary developments will flow from the newest discovery, the secret of atomic energy.

Man has sprung in a few short years from the relative simplicity of the horse and buggy days to the terrifying realization that he is standing in darkness on a narrow ledge, holding in his hands the secret of the universe. One false step and we may lose not only the secret, but the world itself. Man has learned how to deal with nearly all nature except human nature. He has explored the universe, but he does not know himself. We are like children who have come into the possession of knowledge without yet having acquired understanding.

Our generation has seen the inventive genius and imagination of men soar like angels but that same generation has also seen two devastating wars, equalling in ferocity the darkest chapters of the ancient past. Yet, in the face of these grim lessons we have seen the leading statesmen of the nations laboring under the greatest of difficulties even to establish the beginning on an enduring peace.

With virtually all men and women everywhere agreed upon the great objective, it has seemed at times as though we could barely agree upon the order in which we should parade our disagreements.

There is frustration among men almost everywhere. In Europe and Asia we see the spectacle of great nations so torn with political and ideological confusion that they cannot even establish stable governments, much less achieve freedom or the stable economy and peace so greatly needed after the war-torn years.

We Have Essentials of Progress

Here in our own country—so much more fortunate than others—we have had present all of the essentials, for great economic progress, yet we have so bungled our affairs that there is actually widespread apprehension on every hand of a possible depression. Think of it! With 140 million people eager for new cars, new homes and a multitude of goods of all kinds, with vast accumulated savings available to finance both production and consumption, with the greatest productive plant and the most highly skilled workers in the world — with every requirement for a better, richer, happier life, we have been stumbling along, encumbered by industrial conflict, governmental ineptitude and general foolishness. Today the whole world waits with baited breath to see whether America will stop its internal quarrelling and get to work or will lead the retreat back to world-wide economic stagnation.

We have, indeed, mighty problems. They are not economic problems in the ordinary sense. They are not political problems in the ordinary sense. They are not simple material problems. They are human problems. The great challenge of our day is the perennial problem of mankind—how to get along with each other.

At this moment the supreme task before all governments is to seek to bring about a better understanding and good will among all people and all nations. This is not a task to be solved by pious platitudes and exhortations. It calls for vigorous, courageous and farseeing measures to cure the anxieties and hardships which frustrate men and cloud their understanding. We must, for example, search for an answer to the conflict between freedom and security which is the great dilemma of our modern industrial society. How can we achieve security without giving up our essential freedoms? That is the riddle of our time. It repeats itself persistently throughout the pattern of existence.

In the grand theatre of international relations the question is how can each nation be secure against attack in an atomic age without surrending a vital part of its sovereignty.

Among individuals the question is how can men and women be protected from the economic hazards of unemployment and sickness without surrendering to the state control over too much of their lives. The people of some nations grew tired of the dilemma and delivered their destinies into the hands of an all-powerful paternalistic state. They have discovered too late that security cannot be bought at the sacrifice of freedom. The security of the slave is a cruel illusion. For his master, the state, can always destroy him.

Says We Have Temporized

In our own country we have temporized with the dilemma; we have yet to solve it. Our approach to a solution has too often been impeded by those of extreme views who insist on painting the alternatives in terms of black and white. We have had extremists of the right and of the left who have insisted that the country must chose between black reaction on the one hand and irresponsible radicalism on the other. I deny the validity of that bleak choice. Our people do not need to give up their essential freedoms in order to have security. They do not need to abandon the effort to achieve security in order to preserve their freedom. We can and must find a way to have both freedom and security. If we are to make real progress along that road we must all learn to have greater respect for the rights of others.

The hard core of the problem is a widespread feeling among many people today that they are small and helpless in the face of all-powerful forces. Ten years of depression, followed by five years of war have accentuated that sense of helplessness of the individual.

Government, business, organized labor—every organized element of our society should exist not to control but solely to serve the individual citizen. The industrial machine which has made ours the most powerful on earth exists to serve him. The idea that man is a slave of the machine should come to an end. For in truth the machine is the slave of man.

Perhaps the most important need today is to restore man's faith in his fellow man. The first step is to restore the individual's faith in himself.

Long ago we established in this country certain rights of man, religious and political freedom, free speech and a free press. Too often these rights received only lip service from those who were powerful enough to ignore them, but little by little they have been implemented and extended through progressive legislation and enlightened public custom.

Our freedom is not a static thing, once created and handed down to us like a family heirloom. It grows or withers day by day depending on how we nurture it. Writing a law or enunciating a principle is only a beginning.

Decision to Remain Free or Accept Totalitarianism

We in America will never have a chance to decide at one stroke whether we are to remain free or surrender to totalitarianism. That choice is being made now, day by day, week by week, month by month, in the little decisions we make as we go along. By each act and decision, we are building either for a free society under a stable government where our people are protected by a constitution, or we are building an increasingly regimented society with an increasing disregard for constitutional liberty. When we chip away at the rights of a minority, we chip away at the rights of all of us. When we seek to reach an end by limiting the freedom of one group we undermine the freedom of every group. And it makes no difference whether that group be religious or racial, agricultural or business, factory workers or doctors. When, to cure one evil, we establish another, we are bringing ourselves ever closer to the abyss.

It is our duty and it must be our high purpose, to make sure that in every act we perform, we are building wisely and well for the freedom of the individual. Only in that way can we achieve security and the preservation of free government.

We have fought two great wars to save freedom for ourselves and all the world. Yet we can never rest, however great the victory. For freedom, if it is not constantly used, withers and dies by imperceptible degrees. Freedom must be won and rewon every day. The battle to established it, to extend it and to keep it is a part of our everyday lives.

Out of the experiences of the war and its aftermath we have come to a better understanding of the essential truth that there is no real choice between freedom and security. The truth is that we cannot have lasting security without freedom. The one is essential to the other.

On these principles we have stood these past four years and I take the election to be a mandate to continue on those principles and to advance them.

We shall continue to favor every sound measure which advances the well-being of our people as a whole. We shall oppose every effort to advance the interest of one section of the people at the expense of another, or to limit or destroy the freedom of one section for the benefit of others. Business has a right to pursue a profit. Labor has the right to bargain collectively. But neither is entitled to exercise those rights at the expense of the economic stability of our society or the fundamental freedom of our citizens. It will be our constant endevor to see that the rights of none are imperiled by the power of any and to maintain a fair balance between the rights of all.

The bitter lesson of recent years is that no one is wise enough to try to control and direct the human relations or the business relations of a society so vast as ours and that every such attempt can in the final analysis bring only failure, hunger and despair. Here in our country a truly free society can continue to be the most productive, happy and stable society in the world. It is our solemn duty under God to advance that cause by continuing to show that government can have both a head and a heart; that it can be both progressive and solvent; that it can serve the people without becoming their master.

New Labor Peace Group Starts

An experiment in improving labor-management relations was initiated on Dec. 24 by the United States Conciliation Service with the setting up of a new labor relations group which, in the words of Edgar L. Warren, Director of the Service, will endeavor "to settle differences between employers and unions without the loss of time through strikes." The new assembly is composed of 10 outstanding industrialists, 10 labor leaders and two labor and two management attorneys, according to an Associated Press dispatch from Philadelphia, where the group held its organization meeting on Dec. 23. The Philadelphia press advices said that Mr. Warren told the meeting that even in this, the worst year of work stoppages, more than 45,000 agreements between employers and unions had been peacefully consummated without interruption of work. Once the organization begins to function, he asserted, "I know that you will be able to suggest other ways in which it can be useful as a mediating agent." He added: "But, whatever you do, remember that your only power is the power of persuasion. This is the only power the Government can use at the bargaining table if we are to maintain our policy of free collective bargaining."

The assembly will meet again in February.

The Urgent Crisis of French Franc

(Continued from page 122)

power, the Franc probably lost 30-40% of its value during the last 12 months. There has always been an important "black market" for "hard currencies" in France since the liberation. While the official exchange rate of the dollar remained at Frs. 119.10669 to the dollar since the end of last year; the "black market" offered francs 200 for the dollar already in January, 1946, Frs. 250 in June, and Frs. 350 in December, 1946.

Falling Purchasing Power

The development of the French price level reflects also the dwindling purchasing power of the national currency. All attempts on the part of the authorities to "hold the line against inflation" and to stabilize wages and prices have failed dismally. Taking the price index of the year 1938 as 100, wholesale prices in France were 523 in April, 1946, went up to 637 in September to reach 802 early in December, 1946. Retail prices have shown similar, if not greater advances. This spectacular rise in prices and living costs, moreover, tells only half the story! The official indices reflect prices on the official markets only. Actually the French consumer buys at least one-third of his more or less meager diet, of his clothing and other commodities on the flourishing "black market." Black market prices, according to Professor Charles Rist, the well-known French economist, have run up to more than 1600% of the 1938 price level!

France—to a certain extent—represents today an economic enigma. Despite current political, financial and social difficulties, French economic recovery has been surprisingly strong. Her industrial production went up steadily—at least until November, 1946. The French industrial output, according to the French "Institut National de Statistique," was 50% of the 1938 level during the year 1945.

It had climbed up to 80, and in some key industries even to 90% of normal at the end of 1946. Coal production was 11% higher than before the war.

Agriculture too has recovered considerably from the repercussions of war and German occupation. This year's crops have been the best since the liberation. French food production during the current year has been 25% higher in the average than it was in 1945.

According to recent reports from France, the end of the year brought a slump in business activities. This sudden regression was due mainly to a drop in coal imports which, in November, 1946, had fallen 30% below the September level. But the financial and monetary instability contributed likewise to tarnish the brighter aspects of the economic picture. This development is a new confirmation of the basic rule that economic recovery cannot last as long as the financial and monetary situation remains unbalanced.

Trying for Budget Balance

Today, the new Blum Government is tackling the difficult task of balancing the budget. The French Assembly, some days ago, almost unanimously adopted the reform proposals which were eloquently defended by Mr. Andre Philip, the new Minister of Finance and a former Professor of Social Sciences.

According to these proposals, government expenditure will be reduced, mainly by abandoning most of the subsidies for keeping down the prices of basic commodities. As a result, only subsidies for steel, for imported products, for bread and for milk will be maintained. Instead of Frs. 97,000,000,000 the government will pay only Frs. 28,000,000,000 for this purpose. As a first step toward reducing the number of state officials, which increased from 700,000 in 1938 to 1,100,000 in 1946, 50,000 government clerks and employees will be dismissed immediately.

The government intends to increase state revenues substantially. The French, Mr. Philip declared in the National Assembly, are less heavily taxed than other peoples. Taxes represent 50% of the national income in USA, 40% in Great Britain and only 22.7% in France. This is probably an understatement, as indirect taxation is more developed in France than in the Anglo-Saxon countries. The new French tax proposals increase several indirect taxes such as the tax on railway fares, on subway and bus tickets, the post and telephone rates.

The Tax Evasion "Sport" to End

But the bulk of the additional revenue will be collected from that part of the population which has so far avoided paying adequate income taxes. Tax evasion has always been a kind of national sport in France. Tax frauds in 1946 are estimated running up to Frs. 150,000,000,000. Only 400,000 of the 2,000,000 independent farmers pay any income tax at all. Of the income from agriculture, estimated at Frs. 400,000,000,000 a year, only Frs. 2,000,000,000 or 1% is paid to the tax collector!

Mr. Philip's reforms may not be drastic enough to stabilize the financial situation and to end the era of increasing budget deficits. The Finance Minister's statement that, from now on, the "ordinary budget" will be balanced appears to be an expression of wishful thinking. Moreover, there is a large "extraordinary budget" which is completely uncovered by regular receipts. Based on the budget estimates for the first three months of 1947, as adopted by the French Assembly, the budget for the year 1947 does not comprae favorably with those of the years 1945 and 1946.

	(In Billions of Francs)		
	1945	1946	1947 (est.)
ORDINARY BUDGET—			
Expenditure:			
Civilian	313	412	410
Military	125	170	180
Total	438	585	590
Receipts	289	373	450—500
Deficit of the ordinary budget	149	212	90—140
EXTRAORDINARY BUDGET—			
Comprising: deficits of the French railways and nationalized enterprises, reconstruction credits, etc.	150	203	375—400
Total deficit	299	415	500—550

During the financial discussion in the Assembly, Mr. Philip was repeatedly accused of overestimating receipts and of under-estimating expenses, especially in the "extraordinary budget."

Currency Inflation Continued

The large uncovered budget deficit of the state, to which those of the municipal budgets and other public expenditure, not contained in the budget, must be added, has been the main source of currency inflation during the past year. In order to cope with current budget needs, the French Treasury had to draw heavily on national savings and to borrow increasing amounts from the Bank of France. Internal loans in 1946 amounted to Frs. 125,000,000,000. Frs. 100,000,000,000 were borrowed directly or indirectly from the central bank. In addition Frs. 70,000,000,000 Treasury Bonds were issued and mostly taken over by the nationalized French banks. But, despite, these extensive operations on the domestic market, the Treasury liquidated Frs. 120,000,000,000 or $1,000,000,000 of its assets abroad in order to cope with French reconstruction needs.

The weekly reports of the Bank of France indicate clearly that the credit needs of the State were the main cause for French currency inflation. Monetary circulation was Frs. 580,000,000,000 at the end of German occupation against Frs. 120,000,000,000 before the war. The Vichy State paid most of the occupation costs by running the printing presses top speed. The liberation government of General Charles de Gaulle again borrowed from the Bank but its debts were liquidated with the devaluation of the Franc in December, 1945.

On Dec. 12, 1946, the Bank of France reported that direct credits to the State had again reached Frs. 60,000,000,000. In reality a larger amount had been probably borrowed by the State. The balance item "rediscounted bills" probably conceals a certain amount of treasury bills. Direct State borrowing from the Bank is expected to reach Frs. 100,000,000,000 by the end of 1946.

The Increase in Note Circulation

Heavy credit requirements of the State brought about a rapid increase in banknote circulation. From Frs. 570,000,000,000 in December, 1945 it had climbed up to Frs. 713,000,000,000 on Dec. 12, 1946. This circulation increase by Frs. 143,000,000,000 or 25% comes probably close to the amount of direct and indirect government borrowing.

The French internal debt is likely to become once again a major problem for the French Government and the French public. In 1944 the public debt was Frs. 1,334,000,000,000 but had increased to Frs. 1,830,000,000,000 at the end of last year. The upward trend continued during 1946 as the debt reached Frs. 2,041,000,000,000 in August and may now be estimated at at least Frs. 2,300,000,000,000.

On a per capita basis, the French debt was only $453 as compared to $1.885 in the United States and $2,152 in Great Britain. But France today is a poor country and its national income was estimated at only Frs. 2,000,000,000,000 in 1946. Short term debts (Treasury bonds and Bank Credits) represent approximately 65% of the total.

Monetary inflation has unleashed the dangerous race between prices, living costs and wages. When in Fall, 1946, the French price level was six times as high as that of 1938, while the wage index was only 400-450 on the same basis, French trade unions obtaining a general wage increase of 25%. Today, prices have gone up to eight times the prewar level and, in view of the rising living costs, the unions are now coming out with new wage demands. New wage increases are certain to bring about further price boosts and will add new strain to an already troubled political and economic situation.

The inflationary trend of the last months in France has had an adverse effect on the economic life as a whole. To a certain extent, higher prices contribute to stimulate production but their continuous upward movement also induces producers to withhold their goods from the open markets. Most of the prices are still regulated by the authorities. Producers, therefore, prefer to sell "black." The French "black market"—according to some experts—absorbs today one-third of the national product, which appears to be a conservative estimate. The "black market" is the most dangerous scourge of French economic life and—so far—all attemps to suppress or to restrict its activities have failed.

As long as confidence in the stability of the national currency has not been restored, French capitalists will continue to seek a haven for their assets abroad. The strength of the Communist vote also has frightened many French industrialists who believe that a new wave of nationalizations in basic industries is ahead. In order to alleviate these fears, the French Government, after having taken over coal mines, banks and insurance companies, shelved its more far-reaching nationalization plans. Some of the nationalized enterprises such as coal mines continue to swallow up substantial government subventions to compensate for high production costs.

Actual flight of capital from France in 1946 probably did not exceed $100,000,000 - $200,000,000, as foreign exchange transactions are strictly controlled by the authorities. But the French postwar balance of payments shows already a large deficit as a result of imports for reconstruction purposes. Capital exports, therefore, put new strain on the external value of the French currency.

The deficit of the French balance of payments during the current year will run up to $2,250,000,000 but the government has obtained $1,300,000,000 foreign loans and has liquidated $1,000,000,000 of its assets abroad. During the past months, the French substantially increased their exports. Exports of goods covered only 25% of imports during the first six months of 1946. The ratio was 36% during the period July-September, 43% in October and was estimated at 75% of imports during the months November and December.

Despite this favorable development of her exports, France will need large foreign loans during the coming years. She has already made an application for a $500,000,000 loan from the new World Bank. She will continue to seek foreign credits wherever they can be obtained. The deficit of the balance of payments during the coming years is expected to be $1,577,000,000 in 1947, $957,000,000 in 1948, $303,000,000 in 1949 and to disappear eventually in 1950.

Substantial Foreign Credits Needed

If France fails to obtain new substantial credits during 1947, her foreign assets will be used up in a few months. In this case, the foreign exchange rate of the Franc could hardly be defended for any length of time.

The United States already has loaned France some $2,000,000,000 for reconstruction purposes. The French expect to receive further credits to cover the deficits of their balances of payment. They point out that America has an important stake in France's economic, political and financial future, and they hope that American assistance will not be stopped suddenly.

Today, large French orders are being carried out by American factories. Production in certain lines of industrial and transportation equipment has been keyed to French technical standards and dimensions. If new orders should fail to come through, because France does not have enough "hard currency" to pay for them, or because the French financial situation becomes desperate, American industry will suffer considerably.

The United States has also to consider the political repercussions of a prolonged and aggravated financial-monetary crisis in France. This may bring about the downfall of Mr. Blum's Cabinet and the formation of a Communist-dominated government. This development would go against the interest of the Western powers and weaken considerably their influence on the European continent.

Political and economic considerations, therefore, speak in favor of continued American help to France. But new American loans to France can only then have their full effect on French economic recovery if, simultaneously, the French make a serious effort to reorganize their public finance. Public morale in France, especially in matters of tax paying, must be restored and the French people must regain confidence in the stability of their own currency.

Task of the New Congress

(Continued from page 126)

ress in the United States should flicker out, the world would be left in darkness. Therefor, for the sake of the world—of civilization—for the sake of those millions who have been crushed under the juggernaut of war—for the sake of our own future—we **must** keep the torch of freedom and progress alight in America.

Grave Domestic Problems

Here at home we face grave and pressing problems. The debt into which this nation has been plunged is of such magnitude it cannot be paid off in more than a century. Our people are bowed down under a burden of taxation which is well nigh intolerable.

Strikes, industrial disagreements, scarcity of raw materials and machinery, and a large remnant of governmental controls still hamper production.

In this time and in the face of these momentous problems, the Republicans do not gloat over a victory won. We Republicans are prayerfully conscious of our responsibilities—as we seek the cooperation of every man and woman in this nation to help pull our beloved country out of the economic bogs into which mistaken policies, and two wars on two oceans, have plunged us.

Expects Cooperation

I say to you, my colleagues, with deep sincerity, that for the constructive accomplishment of good Government, I hope to see a degree of cooperation between the members on both sides of the aisle, and between this and the other branch of the Congress which will be unsurpassed in the history of our nation.

This cooperation is requisite if we are to accomplish successfully the painful readjustments from war conditions of deficit spending, waste, and the "don't-count-the-cost" policy. Those readjustments must be made in every field of our domestic economy—agriculture, labor, small business, big business and by all the citizens.

These readjustments facing us call for hard work, endurance, patience and, above all else, honest, earnest, sustained cooperation between all classes, sections and individuals in the nation.

No one group, or class of the people, no section of the country can long profit at the expense of the rest. Economic and social organization must, like freedom, be based upon equal justice to endure. Whenever that balanced justice is disturbed, it must be restored through proper readjustment, however painful that readjustment may be.

We simply **must** get back to the sound philosophy that the Government does not support the people; the people must support the Government.

Past events and present conditions prove conclusively that whenever the people surrender their liberties to a government by men for too long a time, disaster results.

No disaster can overtake America without all the citizens suffering the consequences. We know that through painful experience.

The government's control over the private affairs of the citizens must be ended, and the people's control over their government must be fully restored as soon as practicable.

To exercise wise and efficient control over their government and their governors, the people must be frankly told the facts about their government, its policies, and its operations.

Truth, honesty and sincere administration in government—administration for the common good, and not for partisan advantage or private gain—will keep America great, free, prosperous and powerful.

There is no room in America for those who would destroy America. All true Americans love and are loyal to our Constitutional system and the Bill of Rights. The very essence of all that makes life worth living is expressed in the Bill of Rights.

There is no room in the Government of the United States for any who prefer the Communistic system, or any other form of absolutism, to our American system. Those who do not believe in the way of life which has made us the greatest nation of all time, should not be permitted to occupy positions of trust or power in the American Government. They should be—and **must** be—removed.

A Dominant Congress

Our American concept of government rests upon the idea of a dominant Congress. Congress is the people's special instrument of control over their government and their governors.

This nation can remain free only through a strong vigorous Congress—a Congress determined to face firmly its responsibilities; and a Congress which will protect the liberties of the people and not delegate its fundamental powers either to the Executive or to arrogant bureaucrats.

We must make secure those principles of freedom, of government and progress for which our heroic men and women have through our history laid down their lives or borne wounds. The ideals they so nobly fought for we must maintain. Those of us privileged to live for our country must see to it that those who have died, or suffered for American ideals, have not sacrificed in vain.

Religious liberty, the rights of free speech, of free assembly, of free press, must be held inviolate. They are the safeguards against any dangerous drift away from our Constitutional representative system of Government into some form of political monopoly. On the other hand, freedom of speech, of assembly, and of press does not, and **must** not be permitted to mean that enemies of this country and of our people, conspiring to overthrow by violence our governmental, economic and social system, shall have license so to conspire under the protection of the Constitution.

Government of Laws Mandatory

Once again history has clearly demonstrated that only under a government of laws, and not under a government by men, can any people long remain free and go forward to a better life. The people, given the truth, possess an intuitive wisdom and sense of justice greater than that of any governmental bureaucracy. The history of America has proved that so.

In false information and propaganda, designed to mislead the people, lie the seeds of national destruction.

We cannot—we simply cannot—allow any forces outside or inside this nation to destroy our American way, either by force of arms; or by keeping alive conflicts between classes within our own country.

Before we can help the rest of the world effectively, we **must** regain a basis of full production, full opportunity for jobs, and lower prices in a free American economy.

Competition Best Price Regulator

No sound economist can deny, or does deny, that competition is a better regulator of prices and quality than all the governmental bureaus and departmental regulations which could be organized or devised.

Price levels mean nothing if people cannot get fuel to warm them, food to sustain them, homes to shelter them, and fabrics to clothe them.

Wage increases can mean nothing if they are to be offset by weeks of idleness in strikes, and by such increased costs and prices as will rob the wage earners and the salaried people, the farmers, and the fixed-income people alike, of purchasing power through a reduced exchange value of the dollar.

We **must** find a formula and a basis upon which disagreements between labor and management can be settled justly and effectively without stoppages of production. Such a basis and formula can never be found until both sides are ready to shoulder their fair share of responsibility for contracts; to cooperate in achieving increased production, lower prices, and fair profits, without decreasing wages, or lengthening work hours.

Uninterrupted Production

Such a basis and formula for progress and plenty can never be found unless production **is** kept going while labor-management disagreements are being settled. To this great pressing problem, we must give our immediate attention.

The only persons in America who could hope for a failure of cooperation between labor and management, who could hope for a failure of production, and continued sky-rocketing of prices, who could hope for continued controversies between great organizations of labor unions, or between unions themselves, with picket lines, silent factories, and paralyzed production, are those Communists or Fascists—and there isn't a nickel's worth of difference between them—who would like to overturn this grand constitutional system of ours in favor of some form of tyrannical dictatorship under which they could loot the nation.

Those who would have the people of this nation believe America is ready to go to seed, and wither on the vine, simply close their eyes to the plain facts of accomplishments.

In three years, free labor, free agriculture, free industry and free citizens, cooperating with each other, surpassed 40 years of war preparations in Japan; 20 years of war preparations in Italy; 20 years in Russia, and 12 years in Germany.

In three years we were fighting an offensive war, and were on the road to victory. We helped our Allies with millions of men and billions of dollars in machines and supplies of war in the Atlantic conflct, while we fought another war in the Pacific practically unaided, and almost single-handed—and won them both. No honest person now even pretends America's part in the great struggle was any less than decisive.

Unparalleled Prosperity Possible

An America which can achieve **that** miracle in war can accomplish even **greater** miracles in peace. Our trouble, if we fail, will not be because we **can't.** It will be because we **won't.**

We can attain full production, lower prices and prosperity in this nation. We **can** know a prosperity **greater** than we ever knew **before.** We **can** achieve miracles of new comforts, new outlets for our inventive genius and our unparalleled capacity for mass production.

One of the most important problems directly related to increased production and lower prices is taxation. A decrease in taxes can be made possible only through, and must be accompanied by, extensive economies in Government.

It is not the intention of the Republicans in this Congress blindly and wildly to slash here and there. The best evidence of that is in the study committees we have had at work for two years and more, preparing for the time when we should be charged, as we now are charged by the nation, with the responsibility of putting this country back on the American rails of progress. Our studies have shown governmental costs can be reduced and we intend to reduce them.

High taxes have long been recognized as an obstacle to business expansion. We intend to reduce tax rates wherever, and as promptly, as it is feasible to do so. We have given that promise to the American people and we intend that it shall be fulfilled.

We must, after 16 long years, balance the budget; commence paying off the national debt; reduce taxes to free the money of the individual for achieving a higher national standard of living; provide the incentive for business expansion which will create more jobs, more wages, more federal revenue, and at the same time adjust prices and quality on a sound basis.

In our foreign affairs, there is danger the war-stricken nations may be led to rely too much on the United States, and try too little to help themselves.

We all recognize that while we desire to do our full share in helping the rest of the world we must avoid the danger of so depleting and weakening ourselves as to be dragged down with them, instead of being able to help them lift themselves up with us. Only a strong, sound, solvent, free America can help to rescue the world.

America Must Guide World

The greatest influence for good, for freedom, for spiritual, cultural, social and economic progress on the rest of the world will be found in how we, in America, solve our problems.

We must face up to the challenge of this high purpose to save ourselves, and to help save the rest of the world from despotism, economic chaos, social confusion and final utter destruction of all that makes life worth while.

I am deeply convinced if America is to be saved and put back on the high road to spiritual, cultural, social and material progress, it must be done by ourselves and ourselves alone.

We must cooperate as citizens in the common good.

We must recognize the desperate necessity for the people to close ranks and fight for the right.

We, therefore, call upon every liberty-loving man and woman in this nation, regardless of race, color, creed or party, to cooperate with us in an honest effort to save this blessed country of ours from ruin and destruction by internal economic suicide.

Outlaw War

We call upon every section, and every class of good Americans to stand with us for an adequate, efficient national defense, while we endeavor to persuade the rest of the world to adopt a practical formula for disarmament, and the outlawing of war.

We must set our faces sternly against any trend toward any weakening of religious liberty and influence in our civilization, or any sacrilegious creed of Godlessness. We must stand firm and unyielding against any doctrine which would seek to persuade the people to cast their high ideals and their reverence for God aside, and embark upon a materialism which would substitute the State for the Deity.

The Declaration of Independence was founded upon faith in God. The Constitution was builded upon it. The pillars of our liberty and progress rest upon it.

We want and hope for the cooperation of the Democrats of the House of Representatives and of all other branches of the Government, of all classes, and all citizens, to the end that we may meet the task successfully.

God give us strength and the wisdom, the will and the faith to go forward to meet and solve these problems, and to help save for posterity all that our forebears so nobly sacrificed to provide for us.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The government securities markets appear to have toned down considerably, after the somewhat automatic and impulsive action during the early days of the New Year. . . . It seems as though traders and investors alike are now inclined to be a bit on the cautious side, pending a more definite trend in prices. . . . There has been some profit-taking on the one hand, while on the other there are reports of good buying in both the bank and restricted long-term 2½s. . . .

There are differences of opinion as to the more immediate course of the market, since it is felt in some quarters that prices have gone ahead a little too fast, and must adjust for this advance before a trend will be reestablished. . . . This has resulted in dealers and traders taking advantage of the demand to lighten positions. . . .

In contrast to this there is the need for income that must be taken care of, which has lead to sizable purchases of both the eligible and ineligible issues. . . .

GOOD TRADING MARKET EXPECTED

There is little doubt about what the financial community expects of the government market in 1947, because there appears to be a rather widespread belief that there will be a very good trading market, with substantial activity, although the trading range is likely to be considerably narrower than that of 1946. . . . The action of the market in the coming year, it seems, will be influenced in a very important way by the switching that will take place, as institutions adjust positions in order to maintain income. . . .

The bank eligible issues appear to be in a somewhat favored position for the time being at least, with the demand coming not only from the commercial banks, but also from non-bank investors. . . . This is attributed to the belief that the deposit banks, that are likely to increase durable goods loans, will be inclined to dispose of some of their longer-term obligations in order to reduce somewhat the risk factor. . . .

On the other hand, these banks will be in the market for the shorter-term and intermediate maturities. . . . Those commercial banks that are not expected to share in the demand for funds that will be forthcoming from the durable goods industries as well as from mortgages will be in the market for the intermediate- and longer-term eligibles in order to maintain income which has been affected by the increased operating expenses. . . . These shifts in holdings of bank eligible bonds should make for an active trading market, and at the same time afford opportunities for trading profits for those that follow the market closely and are in a position to take advantage of price swings. . . .

RESTRICTEDS SEEN ATTRACTIVE

The restricted bonds are still in the upper reaches of their recent trading area. . . . Nevertheless, there has been a tendency in some quarters to point out that these obligations are still at such attractive levels that an upward revision of the trading range is in the making. . . . The price trend of these securities will be affected by the refunding operations of the Treasury as well as the selling of corporations and others, that will need funds for business and similar purposes. . . . The demand is still large and insurance companies and savings banks will dominate this market as they have in the past. . . .

Although these institutions will probably await the outcome of impending developments before they evidence much interest in the restricted bonds, it is very likely that they would take advantage of any price recessions to pick up securities. . . .

The last downtrend was missed in many instances, and these institutions which have been largely on the sidelines, would no doubt take advantage of another such opportunity if it should develop. . . .

EYE ON REFUNDINGS

Refunding operations of the government will bear careful watching, although there are no indications yet as to what is likely to take place. . . . In 1946 the pattern was very clear-cut, because the refunding operations and debt redemptions were carried out to fight the forces of inflation. . . . Although there will be debt retirement and refundings during 1947, these will not be anywhere near as large as they were last year. . . . Also the inflation fear is not as important now as it was in 1946, which probably means that refundings will be tuned to the action of business, the trend of loans and commodity prices, as well as the course of government revenues. . . .

It is the opinion of some that if there should be a minor downtrend in business and other allied conditions, refundings and debt retirement will be either eliminated or very sharply curtailed. . . . On the other hand, if there should be a marked uptrend in business, prices and loans, and the inflation fear is again in the forefront then refunding and debt redemption will be carried out very vigorously. . . .

Cash surpluses of the government as well as trust fund balances will be available for refundings and debt redemption during 1947, but the extent to which they will be used will depend considerably upon the trends in economic conditions, that are just beginning to unfold. . . . Therefore, it is believed that little will be known about the refunding program, until more is available on these basic business trends. . . .

LOAN RATES

The increase in rates on loans by several New York banks is considered a normal occurrence and it is not likely to have any appreciable effect upon the government securities markets. . . . This firmer trend in bank lending rates does not reflect a change in the general level of short-term interest rates. . . . Certificates are still pegged at ⅞% and are likely to continue that way, until there is clarification of the trend of underlying economic conditions. . . . What the higher rate for over-the-counter loans does reflect are the larger operating expenses of the banks, some increase in the risk factor in these loans, as well as a minor step-up in demand for loanable funds. . . .

COMING MATURITIES

The two recent war loan calls, along with expected large income tax payments on the 15th of the month, bring forward discussion about the redemption of $1,000,000,000 of certificates on Feb. 1. . . . What will be done is purely a matter of conjecture, although the opinion is held in some quarters that the Treasury is likely to pass up both the Feb. 1 and March 1 certificates and concentrate on the redemption of the 1¼% notes on March 15. . . .

It was pointed out that there would be more of a saving in interest charges through the redemption of the March notes, than there would be from a partial redemption of certificates. . . .

RESERVE REQUIREMENTS

The termination of a state of hostilities, by Presidential decree, brings with it the end of exemption from reserve requirements, of war loan accounts on June 30. . . . These accounts have now declined to levels where the carrying of reserves against them will have practically no effect on the banking system. . . . While the Treasury will no doubt continue to keep deposits with the member banks, they are not likely to be more than one month's expenditure, or roughly $2,500,000,000 based on a $32 billions budget. . . . It will, however, be another control for the authorities over the money markets.

Offers International Stability Plan

(Continued from page 134)

Staunchly supporting the free enterprise system, the report nevertheless requested a thorough investigation of the functioning of competition and a reexamination of monopolistic practices such as combinations in restraint of trade on the part of both business and labor. The recommendations called for a comprehensive course of action involving continuous cooperation between government, business, agriculture and labor, emphasis being placed on the assertion that the task of maintaining productive employment at its highest possible level can not be accomplished by simple devices or by any section of society acting on its own.

The recommendations specified among the duties and responsibilities of business for maintaining maximum employment, that business' should endeavor to develop and preserve vigorous and fair competition; should emphasize research for the discovery of new products and better methods; should pass on, as higher productivity permits, a substantial part of the gain in the form of higher wages and lower prices; and should employ practices that help to moderate economic fluctuations and thus foster economic stability.

Government action for the people:

a. Should assume its inescapable responsibility for creating a favorable climate for a dynamic free economy under which people are encouraged to create for themselves the fullest possible productive employment and maximum production.

b. Should encourage the extension of private enterprise, foster vigorous competition, and establish a tax structure and other policies that stimulate enterprise and output.

c. Should provide appropriate aids to business, particularly through the improvements of facilities for the dissemination of business information and economic statistics.

d. Should pursue an international policy designed to preserve peace and to foster multilateral private trading.

Labor and agriculture, according to the report, have the same interests as business in fostering a dynamic economy and in moderating economic fluctuations, and therefore are invited to promote and pursue policies directed toward those objectives. Government, it was pointed out, should recognize its great responsibility in such an effort, and should use the implements it possesses for the mitigation of the upward and downward swings. It should ensure that its policies and actions in other fields are co-ordinated into a consistent whole with its specifically anti-cyclical policies and actions.

Pointing out that government should aim at the integration of all aspects of its policy touching the economic field with a view to stabilization and development, the findings suggested this course for government:

Use methods of taxation that tend to moderate rather than amplify economic fluctuations.

Develop money and credit policies aimed at dampening inflationary pressure in booms and promoting credit expansion in depressions.

Time its construction of public works so that the maximum of expenditure be made in times of low business activity and the absolute minimum in times of threatened inflation. In order to carry out such a program it is absolutely essential that the government have on hand at all times a backlog of projects, not only planned but blue-printed with all financing and legal details complete.

Maintain a broad program of social security benefits that will alleviate the fear of total loss of income and privation.

Discussing the need for an investigation of the operation of the competitive system, the report said:

"We need a reexamination of the various ways in which competition is now infringed by possible abuses of patents, international cartels, and monopolistic practices such as combinations in restraint of trade on the part of both business and labor.

"We need also a thorough study of how competition actually functions, what it can and cannot do to mitigate depressions, and how its action in this respect is obstructed, together with careful consideration of alternative forms of competition and alternatives to competition.

"Out of this investigation should come realistic policies for dealing with monopolistic practices, for extending the area of effective competition, and for promoting stability in ways that will supplement competition and not restrain or extinguish it. In particular, this should encourage and facilitate the entry of new businesses, opportunities for the self employed, and the expansion of existing businesses wherever there are opportunities for increased production and employment."

The statement emphasized the international implications of domestic policies when it said:

"The attainment and maintenance of high levels of production, employment and living standards in any one country is a matter of international concern. Without concerted international action, local policies for maximum employment cannot fully succeed; and without a growing volume of international trade and intercourse, the possibilities of raising local standards of living are limited.

"Governments should therefore pursue whatever policies they adopt for the furtherance of domestic employment with due regard to the welfare of other countries and the prosperous growth of international trade. Through appropriate agencies, governments should co-ordinate their employment policies, foster counter-cyclical policies, and develop joint undertakings for the formulation of commercial policies, that are conducive to economic stability throughout the world."

Britain Favors Multilateralism

(Continued from page 124)

the other hand, had to undertake in the Washington Loan Agreement to restore the convertibility of sterling in July, 1947. For nearly five years, Britain will thus get the worst of both worlds. Anybody earning sterling out of current transactions will be entitled to claim conversion into dollars. On the other hand, the large majority of countries will be entitled to refuse to convert into dollars the proceeds of British exports. It is no wonder Sir Stafford Cripps would prefer multilateralism to this most unsatisfactory state of affairs. But he is crying for the moon. For convertibility is an end unattainable at present, and for many years, to most countries.

It suits the continental countries to maintain the inconvertibility of their currencies in existing circumstances. For in doing so they hope to induce their creditors to buy their goods at high prices. For instance, Denmark has accumulated an adverse balance of some $60,000,000 in relation to Britain. Unless Britain decides to pay high prices for Danish dairy produce the choice will be between cutting down British exports to Denmark and carrying a frozen balance for years. The position is the same in relation to France, only on a much larger scale. In such circumstances the temptation for Britain to buy goods she does not really want or cannot really afford is very strong indeed.

The unilateral renunciation of bilateralism by Britain cannot be expected to produce any immediate practical effect. Bilateralism will remain the policy of poor countries for many years to come. The only significance of Sir Stafford Cripps' declaration lies in its effect on the attitude of continental governments towards the principle of bilateralism and multilateralism. Until now many continental governments, following Britain's lead, regarded bilateralism as the basic principle of their permanent policy. As a result of the change of the British official attitude, they will now regard it as a necessary evil which ought to be replaced in the long run by multilateralism. Britain's lead is still an important factor in determining the fundamental principles of continental economic policies, even if in practice the requirements of the actual situation have to prevail.

Commercial Air Pact Between U. S. and Peru

Under date of Dec. 28 United Press advices from Lima, Peru, said:

"The first commercial air agreement between the United States and Peru was signed last night by Foreign Minister Enrique Garcia Sayan and American Ambassador Prentice Cooper.

"It authorizes United States air lines to operate routes into and through Peru, and grants reciprocal rights into and through the United States to Peruvian air lines.

"As a direct result of the agreement, two American commercial air lines, which have not been specified, will provide daily service between the two countries, and the recently organized Peruvian air line will inaugurate soon a new service to the United States."

Expects 1947 Prosperity for Small N. Y. Businessman

(Continued from page 142)
new and better goods become available.

Manufacturers report that inventories are low in such basic materials and parts as steel, paper, leather, glass, radio tubes and fractional horsepower motors. Many of them have more than ample stocks of goods in process but are held up in completing production because of inability to obtain scarce items, some of which are expected to be produced in record quantities during the year.

The analysis by industry of the survey made by the Association follows:

Textiles

Demand is likely to approach 1946 levels. However, orders from department stores and chains have slackened off appreciably within the last few months, indicating that buyers are becoming aware of consumer resistance at current price levels. A seasonal increase in wholesale trade is expected in mid-January as retailers start to purchase spring goods. With the revocation last October of L-85 (i.e., the war conservation order restricting the length and fulness of skirts, sleeves, etc.), competition will undoubtedly be featured by growing emphasis on creation of style merchandise.

A large manufacturer of men's wool clothing expects an increase in business for the first six months of 1947, but is not willing to make any predictions for the second half of the year. He adds: "There are indications of a little larger stock of woolen goods which, we believe, will be readily disposed of in the first half of 1947."

Quality rayons continue in short supply and new facilities cannot reasonably be expected to come into operation until the latter part of 1947.

Prices—Growing conumer resistance is expected to keep further advances in prices of textiles to a minimum. The Bureau of Labor Statistics Index of Retail Clothing Prices for New York City was reported at 185.3 in November—85.3% above the 1935-39 average.

It is believed that with the recent drop in prices of raw cotton, cotton goods will settle at or near former OPA prices. Increased operating costs in production of woolen goods are predicted for 1947, which will be reflected to a certain extent in prices for finished products. No material advances are anticipated in prices of rayon goods.

Inventories—Retailers are reported in some cases to have relatively large inventories of less desirable higher-priced lines which probably can be cleared only by offering at reduced prices.

Foodstuffs

Although 1947 food production may not reach the record 1946 level, the amount available for domestic consumption is expected to be approximately the same because of the probability of reduced exports, according to the Department of Agriculture. Per capita food consumption in 1946 was estimated at 15% above the prewar average.

Total meat production for 1947 probably will be at least as large as in 1946, with beef outlook particularly favorable. With seasonal increase in milk production, output of butter is expected to rise. Some increase in food fats is expected, but little or no improvement can be expected in supplies of margarine, vegetable shortening and cooking and salad oils due to competitive shortages of cottonseed and soybeans.

Prices—Food prices are likely to be stabilized at somewhat lower levels than the record highs reported for November, 1946.

Printing and Publishing

The present high rate of activity in the printing industry is expected to continue until the latter part of 1947, at which time there may be some slackening of demand for job printing. The city's third largest industry is faced with shortages of skilled labor and paper. Although the paper shortage may be relieved within the next few months, the opinion in some quarters is that training is not being provided for a sufficient number of apprentices to meet demands for long-term growth of the industry and for normal replacement of older workers.

Prices—No material advances are anticipated in printing costs unless wages are increased.

Pharmaceuticals

Sales in 1947 are expected to be 10 to 15% over 1946 volume, although some manufacturers feel that competitive conditions will become more acute by mid-year. Production is handicapped by shortages of paper, cardboard containers and glass bottles, but this situation is expected to ease somewhat within the next few months.

Prices—Some advances are expected, due to higher costs of essential materials such as fats, oils, glycerine and alcohol, although greater volume may absorb some of these increased costs.

Iron and Steel Products

Present demand for most commercial grades greatly exceeds supply and it will be several months before unfilled orders can be filled although production is expected to return to the prestrike level shortly after the turn of the year. In the two weeks prior to the coal strike, steel output had reached 91% of capacity—the highest level since June, 1945.

Large quantities of steel are required for consumer goods which were not available during the war and for maintenance and replacement of industrial equipment. Large amounts also are needed for building construction planned for this area. It is estimated that approximately 15,000,000 tons of steel were lost in 1946, due to strikes in the steel and coal industries.

Shortages are perhaps most keenly felt in steel sheets which are used in production of a wide variety of consumer durable goods. The district sales offices of two steel manufacturers report that they are already booked up through the first quarter of 1947, while another firm states it has a backlog which will take 8 or 10 months to clear up.

Prices—Increased prices were announced in December (1946) by some of the leading manufacturers because of higher operating costs and increased freight rates. It is expected that all necessary price adjustments will have been completed within the next few weeks provided that operating costs can be maintained at present levels.

Paper Products

Paper production in 1947 is expected to run approximately 10% ahead of 1946, which was a record year, and this availability of output undoubtedly will be reflected in increased output of converted paper products in New York City. By mid-1947, supply of paper is expected to catch up with demand in most categories. Manufacturers of paperboard products in New York City who have been handicapped by shortages of paperboard may at least have the consolation that production of paperpoard in 1947 is expected to be the greatest in history. Demand, however, also is expected to reach new peaks and it is doubtful if enough paperboard will be made available to fill total needs in 1947.

Prices—One paper executive reports that "slightly higher prices may be expected over the next 90 days due to increased wages, transportation costs, etc., and there is little opportunity for the industry to absorb very much of these increases. The first basic adjustments in paper costs are calculated to come in the greater volumed of low-priced grades which will take the place of higher grades."

Furniture

Volume of sales in 1947 may run 25% higher than in 1946 competition will be keen and buyers will demand better quality merchandise. There has been a good demand for quality bedroom and dining room furniture, particularly in the medium-priced field which will gradually be eased as increasing supplies of seasoned lumber become available. Living room furniture is meeting sales resistance. An increasing trend is noted in demand for modern sectional furniture.

Prices—Increases are expected in prices of bedroom and dining room furniture. Prices for living room suites probably will remain firm or tend to decline.

Inventories—Inventories of cheaper lines are relatively high, but better quality bedroom and dining room furniture is in comparative short supply.

Leather Products

Despite indications of consumer resistance, 1947 output of shoes is expected to be slightly higher than the record reported for 1946. Production in 1946 was handicapped by shortages of raw materials and machinery, but an improvement in this situation is expected within the next few months. One shoe manufacturer has summed it up this way: "The old-line companies will continue to enjoy good business for the year 1947, but the newer factories will not be able to carry on unless they are strictly quality-minded. There is a more cautious buying program on the part of buyers which will eliminate these fringe manufacturers."

Manufacturers of luggage and other leather goods look for a good year in 1947, with prospects dependent largely on supplies of leather and other essential materials such as linings and plywood.

Prices—In the past six weeks, leather prices have increased 50 to 75%. It is believed prices will become fairly stabilized shortly after the first of the year and that a drop will take place within the next three to five months, with corresponding reduction in prices of finished leather goods becoming evident by the middle or the latter part of 1947.

Inventories—Relatively low inventories of leather and finished goods are reported by manufacturers and distributors.

Radios

Output of radios in 1947 is likely to be 30 to 40% greater than in 1946, although competition will be extremely keen, particularly in the small table models. Buyers are getting more discriminating and signs of consumer resistance to off-brand merchandise already have appeared. The industry got off to a late start in 1946, due to reconversion from wartime production of heavy-duty communications equipment.

Prices—A break in the prices of table models is anticipated shortly after the first of the year. As more console sets become available, price reductions may spread to table model combination phonograph-radios, but it is expected that prices of console sets will hold through most of the year.

Inventories—Stocks of finished radios in the hands of manufacturers are relatively low. Parts inventories are unbalanced, with some parts in ample supply while a shortage exists in such items as cabinets, speakers, coils, tubes and variable condensers. Supply of tubes is expected to catch up with demand in first quarter of 1947. Some dealers report sizable inventories of smaller sets.

Securities Salesman's Corner

By JOHN DUTTON

There are two entirely different functions performed by a broker or a securities dealer; one is order taking and the other is intelligent guidance of a customer's account. The former takes little time and effort—the latter just the opposite. I could make money sitting at a telephone all day long just writing out orders that were given to me, even if I worked for one half of the regular stock exchange commissions that are now in effect, providing I got enough business to make it pay for desk space. That is all I would need to be an order taker. I wouldn't need a well-equipped office, statistical services, wire and teletype facilities, or a great brain either.

If that's what the public wants then the present commission rates now in efect are about right. Unless you enjoy a tremendous volume of business, with many large accounts and conduct your operations on a department store basis, you can't afford to devote the time to proper account supervision on today's meagre rations as far as commissions are concerned. If you specialize in unlisted securities, and are not a member of an exchange, YOU SHOULD BY ALL MEANS CHARGE YOUR CUSTOMERS DOUBLE COMMISSIONS ON LISTED BUSINESS, IF YOU ARE GIVING THEM SERVICE FOR WHICH YOU SHOULD BE COMPENSATED.

This is how it works out. You should take a continuing interest in your accounts. This means following up each security and reviewing the status of every holding at regular intervals. If you want to preserve capital and maintain income from securities, it is a constant job to remain adequately informed to decide whether to change, shift, buy, sell or retain them. Handling an investment account is like playing a game of checkers, you can think three moves ahead but your opponent may make it imperative for you to change your next move and disrupt all your plans. This kind of service takes up your time. It costs money to handle an investment account. IF YOU DON'T MAKE MONEY OUT OF AN ACCOUNT YOU WON'T PAY MUCH ATTENTION TO IT. A good horse is worth his hire. Your customer can see this if he has it explained to him. For $10 commission on a hundred shares of stock you can be his order taker THAT'S ALL—FOR 20 YOU CAN PROBABLY MAKE HIM TWICE WHAT IT COSTS HIM TO COMPENSATE YOU FAIRLY FOR YOUR EFFORTS IN HIS BEHALF.

Frankly, it seems about time that the entire unlisted securities business raised its sights and got tough on this matter of commissions. Time after time some customer will call you on the telephone and ask you what you think of a certain listed security, whether to buy or sell, or what have you. Then you'll go to a lot of bother and trouble and finally give him some good advice. That's the end of it—they call up some one who is an order taker and turn the business over to him. This is not meant to infer that member firms in the majority of cases are nothing but order takers—but the number of times that similar instances, such as this are encountered by most unlisted dealers are by no means few. The present commission scale on listed business is not designed to cover the expense involved in giving the public real investment service, UNLESS YOU ENJOY TREMENDOUS VOLUME.

Human nature being what it is there are many security buyers who would expect a broker or a dealer to do business for nothing if they thought they could get him to do it. They are also the ones who usually get themselves in a financial jam sooner or later. If it means something to your customers to obtain a real thoughtful opinion on the purchase or sale of a security, if keeping them posted after they have made an investment means anything to them, if ending up after five or ten years have passed with good securities instead of a headache is important, then they should be glad to pay you for your work. DON'T BE BASHFUL—IF YOU ARE WORTH IT ASK FOR IT—IF YOU DON'T THINK SO, THEN QUIT.

Member and non-member firms should both charge double commissions except on orders that are handed to them, and that involve no supervision, advice, reports, or service. If an investor wants to pick his own and all you have to do is handle the mechanics of buying, selling and delivering, present commission rates on listed securities are probably about right. The unlisted houses that offer a true investment service to the smaller investor should certainly charge double commissions. If everybody in the business did this it would be a great boon to all — **especially the investor. You don't get something that is any good, for nuthin'!**

Canadian Securities

By WILLIAM J. McKAY

Gold has indeed become the cinderella industry in the Canadian economy. In his recent address before a meeting of the Canadian Exporters' Association the Dominion Trade and Commerce Minister the Hon. J. A. MacKinnon gave a detailed exposition of the state of Canadian foreign commerce.

The picture painted was quite glowing—in newsprint, pulp, paper, lumber, wheat, base metals, asbestos (and gypsum) and even fish—Canada is the world's leading exporter. Moreover most of these products are in urgent universal demand and the volume of available supply, although enormous, is exceeded by the world demand. Mr. MacKinnon also commented briefly on the relatively minor sections of the Canadian export field, such as iron and steel, rubber, textiles and chemicals. The subject of gold, however, was coldly ignored.

It is possible that the omission was deliberate in view of the mounting protest in the Dominion concerning the indifference displayed by the Federal Government towards this vital Canadian industry. Failure to dilate on another important aspect of the Canadian export situation—the tourist traffic—can be justified in part as no precise figures can be cited for this important export.

This is not the case in regard to gold. The statistics covering the production and movement of the yellow metal are more exact and more easily obtainable than for any other commodity. Neither can it be said that gold is not an important item in the Canadian economy. It is a matter of recent history that at the outbreak of war, before the operation of the Hyde Park Agreement, gold was the saviour of the Canadian foreign exchange position. Before the introduction of wartime restrictions, gold ranked in the forefront of the Dominion's basic industries.

Now, however, the Canadian Government, instead of encouraging the production of the precious metal, has failed to take adequate steps to offset the effects of the sharp blow inflicted on the industry by the revaluation of the Canadian dollar.

If ever an industry was worthy not only of proper encouragement but also of forthright subsidization such support can very well be claimed for gold. Canada has always watched her foreign exchange position with anxious attention. Despite the overall favorable state of the Dominion's balance of trade doubting observers are not convinced—world prices for basic commodities are likely perhaps to suffer a severe decline—the Canadian trade position vis-a-vis this country is ill-balanced—and many other justified and unjustified criticisms.

If, however, the foreign exchange position of a country is adequately backed with gold the situation is clear and undeniable. The price of gold through boom and depression remains firm, and in an unsettled period is the only universally accepted medium of exchange.

In view of the fact that the Canadian potential for the expansion of the production of gold is as high as anywhere else in the world, it is inconceivable that the Canadian authorities can ignore much longer this vital problem. It should not be forgotten moreover that throughout world history civilization and economic progress have followed in the path of fresh discoveries of gold. Canada's known deposits of the yellow metal are already sufficient to permit at least the doubling of the current production. But with proper encouragement on the part of the Dominion Government the unlocking of the vast treasure box constituted by Canada's fabulous 2 million square mile area of Laurentian Shield can be set in motion. The importance of this step can be assessed not only by the value of the gold produced, but also by the results secured following the opening up to civilization of Canada's virgin northern empire.

During the week activity in securities was more or less nominal. The external section was generally neglected although there was some demand for Abitibi 5's of 1965 which were bid at 100⅛. Internals were also dull and the long Dominion 3's remained steady at 98½-99. The second portion of $37 millions the City of Montreal financing was completed during the week and there was renewed discussion concerning a new issue of the City in this country. Internal stocks were irregular with a flurry of strength in the golds in anticipation of possible government action to assist the industry.

Smith, Barney & Co. Admits Chas. Kennard

Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announced the admission of Charles W. Kennard as a general partner, effective Jan. 1, 1947. Mr. Kennard, who was born in England and is a graduate of Cambridge University, became associated in December, 1934, with the buying department of E. B. Smith & Co., a predecessor of Smith, Barney & Co. He remained with the firm, except for several short government assignments, until September, 1944, when he joined Mellon Securities Corp. as a Vice-President. In February, 1946, Mr. Kennard resigned from Mellon Securities Corp. to return to the buying Department of Smith, Barney & Co. His admission to the firm was previously reported in the "Financial Chronicle" of Dec. 26.

Charles W. Kennard

Name Now Minneapolis Grain Exchange

Effective Jan. 1, the name of the Chamber of Commerce of Minneapolis was changed to the Minneapolis Grain Exchange and the Chamber of Commerce Building became the Grain Exchange Building, Minneapolis 15, Minnesota.

D. M. S. Hegarty V.-P. OF CIT Financial Corp.

D. M. S. Hegarty has joined Commercial Investment Trust Incorporated, 1 Park Avenue, New York City, as Vice-President and will be associated with its securities underwriting activities, Arthur O. Dietz, President announced.

D. M. S. Hegarty

Mr. Hegarty has resigned as Vice-President of E. H. Rollins and Sons, Incorporated to join the C.I.T. group.

While on military leave from 1942 to 1944, Mr. Hegarty served as Commander in the United States Naval Reserve and was a member of the Navy Department Price Adjustment Board and the War Department Price Adjustment Board.

A Program Against Reaction

(Continued from page 139)

at almost every turn—at least in the field of domestic affairs.

Today, however, the conservative-reactionary Republican leadership is really in the saddle. Our political, economic and social destiny for the next two years at least is largely in their hands.

During the next two years they will make many mistakes, and for many different reasons.

Republicans Will Make Mistakes

They will make mistakes because they have so little inherent understanding or respect for the great masses of our people. For the most part this lack of respect does not stem from evil thinking or even from arrogance. It results largely from ignorance, from lack of imagination, from a lack of feeling of the hopes and fears of the common man.

They will also make mistakes here at home because they fail to understand the workings of our domestic economy. They have but little appreciation of the functions of wages, prices, profits and taxes in maintaining full employment or full production. Many of them honestly believe that democratic economic planning represents a long step towards the totalitarian state. Some of them seem to think that our complicated modern economy will miraculously solve its own problems if the Federal government will only confine itself to the postal services, public roads and Indian affairs.

They will make mistakes in foreign affairs because they are largely ignorant of the dynamic new world in which we live. They underestimate the social, economic and political forces which have been set loose by World War II. To their credit they have abandoned the narrow political isolationism of the 1930's. But in its place they seek to substitute, not the Roosevelt-Willkie ideal of one world, but a narrow isolationism based on increased tariff and selfish use of our economic power.

The actions of our opposition for the most part will not flow from evil motives or from any desire to establish a fascist State. They will result largely, as I have suggested, from narrowness, from ignorance, from the easy rationalization that what seems good for the fortunate few must inevitably benefit the many.

If we liberals fall into the easy modern habit of ascribing foreign motivation to all those who disagree with us, we will weaken our case immeasurably with many millions of middle-of-the-road citizens. But if on the other hand we under-estimate the determination and power of our conservative opponents we will doom ourselves to the role of an ineffective minority, and our country and indeed the entire world to an economic and social catastrophe.

The conservatives who swept the elections of 1946 know what they want and they are determined to get it. They will not be easy to dislodge in 1948.

To a major degree they dominate our press and radio and motion pictures. They have unlimited funds at their command. They are supported by well-organized pressure groups skilled in the art of propaganda.

Even before the election gave them a working majority in Congress, they demonstrated their ability to confuse issues and to influence public affairs. We have had three noteworthy examples of their power in the last six months. First, in the face of overwhelming public support for price and rent control, they managed last June to wipe out all effective controls over inflation. Second, in spite of a staggering public demand for good housing at decent prices, they successfully sabotaged Wilson Wyatt's courageous effort to modernize our housing industry and build a million and a quarter homes a year at prices the majority of our people can afford.

Third, they have launched a highly successful campaign of distortion and confusion against American labor. Profits this year will be the biggest, after taxes, in American industrial history. The increase in net profits since 1939 have been far greater than the increase in wages. The real wages of American industrial workers and white collar groups today—thanks to the rapidly rising cost of living—are at the lowest point in the last several years. And yet, so effective have been the propagandists of our conservative opposition that any labor leader who raises his voice to protest the rapidly diminishing incomes of our workers is considered by millions of normally reasonable people as a troublemaker and radical.

These three examples—the wrecking of price control, the sabotage of the housing program, and the all-too-successful attack on the labor movement—demonstrate the power and ability of our opposition. It is opposition that we liberals cannot afford to take lightly.

Future Months Packed Full of Danger

The future months are packed full of danger for all of us who believe in a free, prosperous and democratic America. The situation is equally critical for the millions throughout the world who are looking to us for the proof that personal freedom and economic security can exist side by side in our modern world.

I returned just before Christmas from a trip to France, Germany and England. In the brief time at my disposal, it was impossible to secure more than a series of superficial impressions of what is going on in Europe. But I found London, Berlin and Paris better places than Connecticut in which to sharpen my perspective on our own country.

I was disturbed to find that most people with whom I talked, regardless of their personal political persuasion, consider America the last stronghold of reaction. The liberals looked on us with fear and foreboding, doubtful of our ability to maintain successfully full employment and a dynamic social and political democracy.

On the contrary, the reactionaries of the Right, with whom I talked looked on America with hopeful anticipation. To them, the November elections proved that America could be counted on to side with them in any showdown against the revolutionary forces of the Left.

The Communists in all these countries are watching us with equal interest. They know that a new American depression would have catastrophic results all over the world. In the next five years, they told me hopefully, America will surely prove the accuracy of Karl Marx's belief that what is left of the capitalist world is doomed to blow itself up in a succession of booms and busts of ever-increasing intensity.

It is the responsibility of American liberals to disprove the theories of the reactionaries of both the extreme Right and the extreme Left. It is our responsibility to create new hope and confidence among democratic groups both at home and abroad, in the ability of America to fulfill a constructive and dynamic role in the development of peace, freedom and economic security for all people everywhere—regardless of race, creed or color.

A Liberal Program

In its broad outline, it seems to me, our program should divide itself into five parts:

First, we must pin the responsibility for the next two years exactly where it belongs—on the Republican Party leadership. We must bring home to every family in the land the hard political fact that it is up to the Republican Party to maintain good jobs at high wages, to solve the problems of housing and scarcity, to protect our farmers against sudden gluts and price depressions, to keep our economy running on a high level of prosperity and employment, to protect our minority groups against exploitation, to guard our natural resources from predatory interest, to develop an atmosphere of international peace and understanding between the Allies with whom we fought side by side in the war against Fascism.

I do not mean to absolve the Democratic minority of the responsibility for maintaining a vigorous liberal opposition. Right now the country is watching to see how the Democratic members of the Senate vote on the issue of Bilboism.

Second, every day during the next two years we liberals must work to develop greater economic understanding among all the groups which go to make up our great country. We must convince our people that no one group can hope to prosper unless all groups prosper, and that only through the development of a constantly increasing purchasing power of our factory workers, our white collar workers, our farmers, and all our millions of little people, can we hope to achieve sustained full employment and full production.

We must educate all of our people to the fact that reasonable profits are a source of strength in our economic system, but that exorbitant profits hoarded in corporate reserves can become the road to economic catastrophe.

Third, we must attack the monopolists and the scarcity thinkers with all our force and with no holds barred. In many areas of our economy today, free competition has all but disappeared. Prices are rigged at levels designed to provide high profits on a limited amount of production. We can be sure that Republican leaders, in spite of their blind worship of the ideal of free competition, will have but little interest in the curbing of monopoly. If the Republicans are left to their own devices the monopolists will have a heyday. The record for the last three generations has proved that effective support for a vigorous program of monopoly control must come from liberal groups.

But let me offer one word of warning. In our attacks on monopolistic thinking, we must not assume that all big business is necessarily bad. A majority of the American people will agree that many business interests, both big and small, are grasping, greedy, and wholly irresponsible. But the majority of our people want to see legitimate business encouraged and strengthened. They do not want to see the baby thrown out with the bath water. If we expect to win friends and influence elections, we must not hurl our harpoons indiscriminately at business institutions.

We must also maintain our objectivity on the subject of labor. Organized labor today is, as it always has been, our most effective instrument for the improvement of the lot of those who work for wages—which means four out of every five of us. Organized labor is our most effective source of liberal political strength. Most of the reforms and social advances of the last 100 years were achieved by labor's efforts. And yet, some elements in labor today are destructive and undemocratic. If we expect to achieve the respect of the millions we must not hesitate to face up to this fact.

The British Labor Party has learned this lesson the hard way.

Fourth, we must hold fast to the forward looking economic, social and political program for which we have fought since 1932.

Throughout American history, liberals have pursued two basic ideals. The first was the concept of personal freedom fathered by Thomas Jefferson and expressed in the Bill of Rights of 1791. The second was the concept of economic democracy which goes back into the beginning of our history, and which was formulated graphically by Franklin Roosevelt in his Economic Bill of Rights of 1944.

In spite of the efforts of Jefferson, Jackson, Lincoln, Wilson and Roosevelt, the fight for personal freedom, the right of all our people regardless of race, creed and color, to speak, think and vote as they see fit, has not been wholly won.

In spite of Mr. Roosevelt's extraordinary efforts and the passage of much liberal legislation, the right of all of our workers to jobs at good wages, the right of our farmers and business men to a fair return on their efforts, the right of every citizen to a decent home, good health, and a decent education, still remain, as far as millions of our people are concerned, only a series of inspiring phrases.

We liberals cannot afford to relax for one minute in our fight to translate these twin American ideals into a living reality for all of our people.

Fifth, in foreign affairs we must support a program that is generous and yet practical; that is based on the principles of the United Nations and One World, and which is firm, indeed unyielding, in defense of that principle.

In line with this program we must resist any temptation to play power politics or to seek to impose our own ideology on any other nations. At the same time we must throw our full weight against aggression—from whatever source it may come. Unilateral action on the part of any nation is no longer consistent with the preservation of world peace.

Above all we must understand that our foremost responsibility in world affairs is to extend the good neighbor policy throughout the world. At this time when such a large part of the world has been prostrated by war, this means that we must extend the helping hand to all peoples in their efforts to rehabilitate their economies and to raise their standard of living to a decent level. If we believe sincerely in the principles of One World, aid will not be withheld from any peaceful nation or group of nations solely because their way of life may differ from our own.

Liberals Must Find Basis for Agreement

Sixth, we liberals must develop some hard practical political sense. The conservative forces in their opposition to change find it relatively easy to reach agreement. Liberals who favor evolutionary democratic change often destroy their effectiveness by bitter fights over just what kind of change we should have.

If we are to have any chance of success we must find ways and means of unifying the potentially powerful liberal forces in America. But we must be extremely careful that the unity we forge is a unity based on principles, on democratic principles. We liberals have a number of lessons to learn, and one of them is that a progressive democratic program can be presented convincingly only by those whose devotion to the values of human freedom is unequivocal.

Too often the appeal to unity has been made in an effort to form an artificial front through which undemocratic forces operate to exploit the best intentions of honest men of good will. We must be prepared to defend the right of American Communists to propagate their views through their own organizations. But we must make it crystal clear that there is no place in the American liberal movement for those who would compromise the principles of individual liberty.

There are enormous forces in American life that are both progressive and non-Communist. It is these democratic groups and individuals that must be brought together into the fullest political partnership based on a common conviction that freedom and planning are not only not incompatible, but, in the long run, inseparable.

Every effective liberal leader has also been an effective politician—Jefferson, Jackson, Lincoln and Roosevelt. And yet when it comes to the down-to-earth problems of practical politics many liberals are inclined to wrap themselves up in high-sounding principles and leave the battle ground to the men with the cigars and the derby hats.

No Illusions About a Third Party

In particular we should not harbor any illusions about a third party. The legal and organizational obstacles in the way of an effective third party movement are too great. The Democratic party with all its faults is our most effective instrument for political action. If we expect to regain the ground we shall have lost by 1948 we must elect a liberal President and a liberal Congress. To accomplish this we must work through the Democratic party machinery. In the next two years we must return the Democratic party to the ideals and objectives of Jefferson, Jackson, Wilson and Roosevelt. This will not be easy.

We cannot blink the fact that the party of Roosevelt is also the party of Bilbo and Rankin. But the fact remains that we have no practical alternative. All our efforts, all our ingenuity must be thrown into the struggle to establish liberal control of the Democratic party in 1948.

According to the reactionary extremists of both the Right and the Left, the world must eventually choose up sides for the greatest conflict of all time. There are no alternatives, so they say, to narrow Communism on the one hand and narrow Capitalism on the other.

It is the responsibility of American liberals to prove that the extremists are wrong. It is our task to provide a program of democratic action—dynamic, politically practical—a program designed to provide freedom as well as security for every-day people everywhere.

Our success or failure in providing this alternative will determine not only the shape of our own country but the shape of the world as a whole.

America today is in control of half the productive power of the entire world. What we do or fail to do eventually must affect every human being on earth. Franklin Roosevelt, who had earned the respect and affection of all the world's people, is gone. In his place we have the reactionary tubthumping leadership of the Republican party.

The peoples of Asia, India and the Middle East, South America, and Europe, as well as the tens of millions who fought and worked for the New Deal in the 1930's, are watching anxiously to see what kind of leadership we American liberals may provide in the years immediately ahead.

By a demonstration of hardheaded unity during the months to come, by a vigorous acceptance of the issues of the day, we can provide inspiration, hope, and leadership to the cause of economic and political democracy all over the world. Ours is a great and dynamic tradition. We must not let it down.

A Model Labor Relationship

(Continued from page 141)

italistic system could not exist; an industry that continues to fulfill its mission, despite the efforts to destroy it, is entitled to that much.

Briefly, the points reportedly agreed to on nearly the top level by management and labor, are:

1. Designation of nationally known and qualified men as conciliators in major industrial disputes.
2. Creation of labor-industry panels to work along with government conciliators in mediating disputes.
3. Far wider use of voluntary arbitration without resort to strikes; inclusion of no-strike, no-lockout clauses in contracts.
4. Employment of "emergency boards of inquiry," (a new name for fact-finding boards) to hold hearings and make public recommendations where "normal mediation efforts have failed."

The purport of these conclusions, reported in page one Washington "News," must have been intensely gratifying to many partners connected with "wire houses" in the broker business, as well as to their telegraphers.

For 44 years stock and commodity brokers using private wire systems and The Commercial Telegraphers' Union, AFL, representing both Morse and Teletype telegraphers, have enjoyed a happy employer-employee relationship.

When we consider that a portion of the recommendation the eight gentlemen in Washington propose as at least a partial remedy for the troublous "Labor Problem," has formed the base for the happy relationship mentioned above, and that the other portion has never been needed, we wonder whether we in this industry have been hiding our light under a bushel, or whether some top management and labor executives have suddenly discovered that the pencil they have been looking for these many years has reposed snugly behind their ears all the time.

The Commercial Telegraphrs' Union, AFL, today has contractual relations with a majority of brokers using private wire communications. The relationship operates on a most friendly basis. Voluntary arbitration, no strikes, no lock-outs and contract inviolateness is old stuff with us.

If we had to write a formula, it would be a very simple one: mutual respect, an understanding of each other's problems, a fine restraint in not taking advantage of each other and a thorough realization that our best interests are intertwined.

When we put our feet under the table to negotiate a contract, there isn't the slightest glint of mistrust in anyone's eye. We both know that we are there for the purpose of doing as much as we can for the employees. And, it is all amicably achieved in a matter of hours. The proof that our agreements work admirably is attested to by the fact that one union official, working leisurely for a maximum of 30 days a year, could handle all of the grievances accumulating from all of the wire houses in the United States.

As a matter of fact, it would take considerable statistical research to determine just when the last grievance case occurred. We would also have to go to the archives to ascertain when arbitration, strike or lock-out was last resorted to.

This situation does not exist because the "financial giants" wield a big stick, or because union representatives are appeasers. Not at all! It is because we have learned to properly appraise each other's function.

Without a doubt, the so-called "Labor Question" will have a profound influence on our way of life during the next year or two. The mercury in the Congressional barometer will likely bounce up and down as it always has when confronted with vital issues. Radio commentators, columnists, editorial writers, economists, financial editors, market analysts, pamphleteers, the ism boys, etc., etc., must be smacking their lips.

Over what? To this writer it seems to be over something as simple as making a dot or a dash, or hitting the right key on a Teletype:

HOW CAN WE CONDUCT OURSELVES AS EMPLOYERS AND EMPLOYEES WITHIN THE BOUNDS OF TRUE HUMAN RELATIONSHIP?

When one considers that the demagogues have for years pointed to this industry as the citadel of reactionism, the partners in brokerage houses and their telegraphers could easily suggest that sometimes the answer to momentous questions is found in unexpected places.

Leon Graham Now With Bruns, Nordeman & Co.

Leon W. Graham has become associated with Bruns, Nordeman & Co., members of the New York Stock Exchange, in charge of the new business department in their 60 Beaver Street office. Mr. Graham was formerly with Josephthal & Co. and Carl M. Loeb, Roades & Co.

The Economic Outlook for 1947

(Continued from first page)

eighth respectively. It underestimated physical production by about 10% for 1946.

If we all reexamined the forecasts of the previous year, this would have a very salutary effect on all "dopesters."

How Prophets Are Made

Whether you predict a collapse or a boom you are bound to be right if you repeat the prediction long enough. Most of the prognosticators who at one time or another have been credited with prophetic foresight simply turn out to be right finally—because they kept up the same refrain. Shortly after V-J Day one of the chief Washington dopesters said: "A recession will come within the next six to nine months." I saw him about once a month thereafter and he regularly repeated the same refrain—the last time just one month ago. Sooner or later he will be right! But the interesting thing is that although very sophisticated in every other way, he apparently is not aware of the trick his own mind is playing on him.

Entirely apart from the wartime prediction that war's end would be followed by collapse, the general opinion of the Washington dopesters has been, at least since last June, that the "next six to nine months" will bring a collapse. The public press has taken up the same refrain. If depression comes this year, it will be the best advertised depression in history!

Compensatory Reactions to Doping

No doubt this over-publicity has been a good thing. In economics psychological forces may dominate. If every one believes that a depression is coming some time in the future, but most of them are a little uncertain as to just when this very prospect of depression may set in motion compensatory reactions and forces which will prevent it! Whereas, if every one felt sure that depression were coming next month or next spring, then this current feeling would probably be enough to cause a depression at that time, if not earlier. Commitments would be cancelled or shelved and new investment plans would be put into abeyance and inventories would be allowed to run down. If this analyst is sound, it makes a strong case for intelligent doping, estimating and weighing. It should help prevent the excesses of both boom and depression. It would justify the Chicago Economic Club holding meetings of this type!

Every economic situation is unique—economic history never quite repeats itself. Nearly always some event or events, which could not have been foretold, upset one's appraisal of economic trends.

Our voluntary economic system, known as individual private enterprise, has enormous vigor and durability partly because it rests on such a broad base of millions of separate business establishments owned by even more millions of people. Yet it is sensitive, fluid and volatile.

Who can predict the decisions, to expand or to contract, of these millions of individual establishments. They are autonomous units; yet the decisions of most of them are affected by the decisions of the others. These decisions in turn are governed by the decisions of more than 100 million consumers. Every day some 100 to 200 million buying and selling transactions are carried on. When you ask for a prediction of business for 1947 you ask: How will these millions of people behave? Will there be a greater or lesser time interval between transactions? Will each transaction on the average involve more or fewer dollars?

One cannot even predict the economic behavior of one's spouse, one's best friend, or closest business associate! How then can we predict the behavior of 100 million people through their prospective billions of transactions? So-called economic forces work themselves out through human decisions.

"Success" of Wartime Price Control—Deceptive

Most of us are interested in the general level of business and in general price levels for the months ahead. Our consciousness of the price increases of the last few months makes us wonder whether the inflationary forces have spent themselves. We are constantly told that "We did a fine job of controlling prices during the war, and a poor job since V-J Day." This conclusion may be deceptive.

From 1939 to V-J Day (August 1945) wholesale commodity prices rose about 37%, as against a further increase since V-J Day to last October of 26%.

The cost-of-living index from 1939 to V-J Day rose by about 30% and from V-J Day to last October it rose another 15%. Considering the time interval, prices did rise more rapidly after V-J Day.

But the wartime index was deceptive. It did not cover black markets; it ignored the deterioration in quality; it did not make adequate allowances for the disappearance of low-priced items. Nor did it reflect the full costs to the consumer because part of the price was hidden in consumer roll-back subsidies paid for by taxes. It did not allow for the fabulous prices many people had to pay to buy a house, artificial rent controls being heavily responsible for the housing scarcities.[1]

Furthermore, the alleged success of wartime price controls was deceptive in another respect. When the OPA fixed a price it generally fixed the price at the then equilibrium level. Since this was the case, there would not be expected, of course, to be much upward price pressure for some month or even years. Furthermore, we at times forget that 1941 was a high production year, nearly 50% better than 1939 according to the Federal Reserve Bank index. Thus we entered the war with better than average inventories from the producer to the consumer, and with a large quantity of consumer durables to tide us over the war period. Naturally, with the passage of time, the scarcities of commodities made themselves felt and would have done so had the war ended in 1945 or a year later. The pressures were building up all during the war, and after the war they made themselves felt more forcibly.

Furthermore, average hourly earnings of factory workers from 1939 to V-J Day rose by 58%, against a cost of living index rise of only 30%. Yet a study by the Department of Labor indicates that efficiency rose little, if at all, during the war in civilian production, so that by the time of V-J Day costs of production in many lines were already pushing heavily against prices. Little wonder that prices burst through the fixed ceilings since V-J Day.

For all of these reasons, the adverse encomiums heaped upon businessmen since V-J Day with regard to prices are scarcely deserved. The notion that we did a good job of price control during the war and a bad job since does not stand up too well under scrutiny. Indeed, considering the sellers' market of 1946, it is surprising that prices were not higher, and that corporate net profits were a smaller fraction of the national income than in previous prosperous years.[2]

All of this means too that we should not be too alarmed at the recent price rises. Although here we must distinguish between a general price rise all along the line and the price boosts of individual commodities in specific sectors of the economy. A general price rise means the value of the dollar is declining; specific commodity price changes may mean merely disequilibrium between supply and demand in specific sectors of the economy—agriculture for example.

Whether prices are "high" or "low," furthermore, is, after all, partly a matter of custom and habit. Any price to which we are habituated becomes a "normal" price. We should expect a major war covering half of a decade to lead to many enduring structural price changes. Measuring by prewar standards or relatives may be deceptive. New "normal" relationships are inevitable.

Currency in circulation now stands at about $29 billion compared with $7.5 billion in 1939 and only about $5 billion in boom year 1929. Demand deposits stand at $82 billion in contrast to $28 billion in 1939 and only $23 billion in 1929. Similarly time deposits are up more than 100% over prewar. Individuals and business hold some $83 billion of government bonds, a goodly portion of which is viewed as money or near-money. Thus instead of some $65 billion of liquid assets held by businesses and individuals in 1939, today the holdings amount to about $222 billions. All this indicates a further decline in the value of the dollar for the period ahead.

In spite of the liquidity of American business, bank loans have been increasing rapidly. Borrowings today stand fully 50% over prewar and have increased over $3 billion since V-J Day and are increasing. Consumer credit by October was above the 1929 level and only about 10% below the prewar peak. Instalment credit jumped nearly 75% in the first 15 months after V-J Day.

Years ago economists thought they detected a fairly close long-run relation between the amount of money in use and the general price level. This was given the name, "the quantity theory of money." Excluding time deposits and government bonds, we have today about three times as much money and demand deposits in circulation as prewar. Of course, doing a larger volume of business now, we need more counters; but in terms of the money supply, a further long-run upward price pressure is indicated. If we include that portion of time deposits and government bonds which may be viewed by owners as near-money, the tendency for prices to rise is further reinforced.

How government economists could envisage postwar deflation in the face of the foregoing has always been a mystery.[3] They seemed to be victims of a "quantity theory in reverse." In short, there is reason to believe that we have not yet adjusted the cost and price structure fully to our new money supply condition.

The Labor Movement and the Price Level

Equally scandalous is the government's complete misreading of the implications of the labor movement for a full employment program. The labor leader is not only interested in an adequate volume of jobs, he wants more jobs than there are people to fill them. Furthermore, he is not satisfied with the remuneration which the free market would assign to the value of the services of the worker.

The labor leader is a politician. He faces competition for his job within his union both from normal would-be office holders, and in many unions particularly from Communist-minded would-be office holders whose only interest is dissension and power. The labor leader faces competition from rival labor unions. He always "competes" with the employer for the workers' favor. The labor movement today probably is more political, in the strict sense of the word, than at any time, or than any other movement. The labor movement has a dynamism and momentum which the American people have not yet begun to understand.[4]

This matter is mentioned at this point because of its relationship to the general price level, the value of money for the future. Annual demands for 15 to 30% wage increases may become a habit—may already have become a habit. With our perfectly enormous supply of money and near-money, this constant upward pressure on the wage level may steadily translate itself into higher and higher price levels and under conditions of excess money is less likely to precipitate depression.

It seems perfectly clear that we cannot have full employment and price stability at the same time. This is a problem which so-called "full employment programs" will have to face, and that very soon. Sir Wm. Beveridge is one of the few "full employment" spokesmen who has seen it clearly.

The foregoing generalizations do not mean that the probable ride to higher and higher price levels will not be attended by intervening depressions of both employment and prices. But the long run trend seems to be for higher prices, and 1947 may not be an exception.

Shortage of Real Capital

Another factor making for rising prices, especially in the face of the foregoing points, is the shortage of productive capital in many lines. Basically our present productive facilities, in spite of the wartime capital building, were designed to produce a national income at prewar prices of about $90 billion. Total investment in manufacturing, distribution and the service trades in line after line is still not geared to a 60-million-jobs economy. We seem to be in the position of the Opera Company which sold more tickets than it had seats and then to correct the imbalance more tickets were sold. The high and constant raising of wages and subsequently prices, puts ever more pressure on many of our productive facilities.

In some mining operations we have passed the stage of diminishing returns in spite of the march of technology so that we will get our minerals at steadily higher real costs. Plastics and other substitutes may obviate this tendency for the most part—but of this we cannot be sure.

The artificially low interest rate coupled with high wages, in some obscure way appears to be interfering with capital formation. This situation makes it difficult to divert enough manpower and other resources to the building of factories, commercial outlets and housing. The pressure for immediate consumption no doubt interferes with preparation for future consumption — namely the making of more capital goods. The low interest rate also stimulates the demand side for more "durable" goods but it does not help the supply side in the short run at least. We have forgotten that the interest rate has always been our device for rationing the relative proportion of our energies to be devoted to satisfying current consumption, one the one hand, and to capital formation or future consumption, on the other. I do not profess to understand this relationship clearly, but it does seem that a flexible interest rate, an equilibrating interest rate, is an indispensable part of a properly functioning free economy.

Shift to Durables

In any case, 1946 may go down in history as a soft-goods year, a year in which the consumer got greater volumes of these goods but at poorer values in many lines than ever in recent history. The year 1947 is likely to see a shift toward a better balance of durables production. One reason people have been paying 80 cents for a pound of steak is because they could not buy automobiles and other durables. A better balance not only in output, but also in prices is likely to be struck in 1947 and the adjustment is already well under way. If this readjustment can be made, first here and then there, a little chunk a a time, we may make the necessary adjustments without a 1947 recession. This is our hope.

The technical position for capital goods and consumers' durable goods expansion has never been better. Shortages abound everywhere. The whole world is capital hungry. The nation is underhoused. Home ownership has increased by a phenomenal one third since 1940. This means a major shift in buying from prewar conditions, partly because this increased ownership will absorb income for mortgage payments and partly because of the necessity of refurbishing these homes.

For the foregoing reasons we are likely to have an increase in what may be called frictional, though somewhat enduring unemployment before the year is out. It will not be too easy in many communities to shift workers from the soft goods lines to the durable lines. We will need a considerable expansion in construction labor. The automobile industry may increase its output by 50 to 75% over the past year. This too will affect adversely some other price lines. Steel shortages will continue. Inter-industry competition for the consumers' dollar will increase so that the cost of living index is likely to have less upward pressure upon it this year than in 1946.

Inventories

The position of inventories is generally regarded as crucial in governing future levels of production. Inventories have accumulated during 1946 at unprecedented rates. Yet relative to sales they are still below prewar relationships. Furthermore, the increase is due in part to the price rise. The increase may also be deceptive because of its unbalanced nature. Reconversion is not yet complete. A considerable portion of the increase is due to delayed delivery because of the lack of essential components. Thus in mid-October, in the case of one Chicago plant, in the final position in the fitting stalls, stood upwards of 90 passenger coaches—representing almost $7.5 million in inventory. Small components were missing, delaying delivery. How general this situation is we do not know. But there is reason to believe that except for furs, some jewelry and some soft goods lines the inventory position of American industry as a whole is favorable for continued prosperity. Yet there will be a rise in

1 If this is doubted see: "So You Believe in Rent Control," by V. O. Watts, Foundation for Economic Education, Irvington, N. Y., 1946.

2 See: *Business Action* Chamber of Commerce of USA, Dec. 23, 1946, for an analysis of errors of the Nathan-CIO Report released December, 1946.

3 See: "Maintaining Purchasing Power in the Transition," Chamber of Commerce of USA, July, 1945.

4 For a more extended analysis of this problem see the writer's "Economics of Collective Bargaining" and "Industrial Relations—Frustrated and Perverted," "Commercial and Financial Chronicle," Mar. 21, 1946 and Oct. 17, 1946, respectively. Reprints also available from the Chamber of Commerce of USA.

bankruptcies in 1947 due to over extended and imbalance inventories in a number of lines. Once the rate of inventory accumulation declines this is a depressing factor and this will be in evidence throughout the year in one line after another.

Foreign Trade

The outlook for foreign trade appears good. Yet this trade will be unbalanced. Effective production abroad is not being restored. In the past year we exported nearly $2 for every dollar of imports. This imbalance will likely continue and the world will become more and more indebted to us—and won't like us for it. Credits outstanding and likely to be extended abroad would suggest a continuing high level of exports—a losing game in which we send abroad the products of our man-hours and receive mostly scraps of paper in return.[5] France and Germany are ruined beyond early repair. England, also a key factor in world trade, is losing part of her empire and dissipating her energies in a bootless socialization process in the name of the common man. She steadily is ceasing to get the benefits of the innumerable foci of energy inherent only in a private enterprise economy, although it must be admitted that her businessmen were less enterprising than businessmen should be. What the global effect of this decadence will mean for the planet and for our foreign trade is still obscure, but the notion that it spells peace and prosperity is only for the consumption of children.

The United Nations and its subsidiary institutions, noble in conception, have not made auspicious progress and its personnel is heavily staffed with collectivists of various colors.

Agriculture

Agriculture has been a heavy beneficiary of war and postwar prosperity. Since V-J Day the rise in the cost of living was largely attributable to the rise in food prices. Food prices are in process of downward adjustment. The futures market for wheat and other cereals suggest that further declines are in prospect. We will devote less of our food resources to rehabilitation of foreign areas in the months ahead. The competition of other industries for the consumer's dollar will help reduce food prices still further. It is likely that in 1947 we will be a food importing nation on net balance, as has been the case in the past. This in turn will make available foreign exchange to peoples of other lands and stimulate further our export industries.

The liquid assets owned by farmers exceed their debts. Thus a decline in income will not create the hardships which followed 1920. Furthermore, if business in general holds up as well as now appears probably, there will be no catastrophic collapse of farm prices.

Strikes

One would be courageous indeed to predict the labor situation for 1947. There is good reason to believe that labor leaders have learned the hard way in the past year something about the interdependencies of our economy. A strike is not merely against the employer, it is against the community and against workers in other plants and industries. Higher wages without corresponding increases in production do little good, and augment the disparities of income of different groups paving the way for depression. "Soft-touches" among employers will still be picked out by the labor leaders and in time the others will fall into "line." In their own and in the national interest employers will have to learn to resist labor monopolists more effectively.

The pending legislation in Congress may have some salutary effects on labor leaders. By strengthening the hand of the employers, the risks of calling strikes will be increased and this will reduce their number and their duration. In addition to numerous remedial legislative enactments, one primary aim of all policy should be to greatly raise the risks involved in calling strikes. Unless this is done, little good will follow.

The other prime requisite to industrial peace is a greater diffusion of power within the labor movement. We are likely to get a few changes in the Wagner Act and a few other negative controls but Congress is not likely to see clearly that what is needed is this diffusion of power. The breaking up of the oil trust and the tobacco trust did not damage private enterprise; similarly a carefully evolved plan to diffuse the power of the speech-making, labor dictators would not damage the working man or genuine collective bargaining on a plant or company basis—in fact the opposite would occur. What this country needs is more friends of the working man instead of Labor (with a capital L).

Fortunately, a few people are beginning to see that the real solution to the labor problem must come by returning industrial relations back to the employer and **his own** workers or the latters' representatives selected freely from **their** own numbers. The Illinois Fuel Merchants Association here in your own city has made one suggestion along this line. There are others. The labor leader will denounce all such suggestions as attempts "to destroy Labor," but the thinking citizen will recognize that a carefully worked plan or plans along this line will actually benefit the working man.

Conclusion

In conclusion, in contrast to the peoples of the rest of the planet we are indeed blessed. The year 1947 should mark a return to less government controls, less bungling, fewer strikes and more goods of superior quality. The country is not going "reactionary"; but it is becoming more conservative, on the theory that we had many things **worth conserving**, which we were in the process of losing in the past decade and a half.

The businessmen have a heavy responsibility in the months ahead. There are danger signals: Some price readjustment is inevitable. Piecemeal adjustments, well timed, may obviate general recession whereas price rigidity may precipitate a general decline. Rising prices in some sectors are being fed by credit expansion; instalment credit may get out of hand. Businessmen, generally have not yet thought through the implications of the Constitutional mandate that Congress shall have power "to coin money, regulate the value thereof," (Article 1, Sec. 8) in terms of the proper role which government must play in controlling the money supply, of which demand deposits loans and consumer credit are the chief elements.

We ought to build solidly this year, for many good years ahead. Each of us has some responsibility to this end and it is the responsibility of each of us to find out what that is.

[5] Fed. Res. Bulletin, December, 1946, p. 1321.

Most Business Heads Not Expecting Depression

(Continued from page 140)

for increases although not as sizable as some earlier estimates indicated. Almost all electrical machinery and supplies, heating and plumbing equipment and specialized industrial machinery producers look for a higher volume of output. Steel makers expect to operate at almost full capacity levels unless, as in the past, prevented from doing so through strikes. The petroleum industry also looks for an excellent six months with volume at a higher level after allowance for seasonal influences.

A small minority of companies look for a drop in production during the first half of 1947. Four industries account for about half of these anticipated declines: general industrial machinery, machine tools, railroad equipment, and food products. The remainder who anticipate decreases are scattered throughout the entire group included in the survey. Machine tool manufacturers base their opinions on the fact that sales of surplus government machine tools and the postponement of the introduction of new models by the automotive industry will contribute to the drop in production in their industry.

The Order Situation

Some companies report that new orders are still being controlled although instances of a downward trend in new orders are noted. However, backlogs of unfilled orders generally are heavy enough so that a moderate drop in demand would not result in a decline in production in the first half of 1947. There is fear on the part of some executives that the books may contain duplicate orders and that any general recession might be accompanied by large-scale cancellations.

Outlook for Material and Labor

The outlook for availability of labor is regarded as slightly more favorable than that for materials in the coming six months. Both are expected to cost more. The degree of change in costs of both factors will depend to a large extent upon the outcome of the steel wage negotiations. The rapid acceleration in costs in recent months, however, is not expected to continue throughout 1947. Some executives feel that prices may have already reached their peaks, while others believe that peak levels are still ahead. In a few instances, particularly some food products, lower prices are anticipated as more supplies become available.

Material Supplies

Material shortages are most acute among manufacturers of metal products where strikes have curtailed production of basic raw materials. However, manufacturers of petroleum products, paper products, and textiles also expect to be plagued with material shortages during the first six months of 1947. Among the products most frequently mentioned as being in very short supply are steel and pig iron, bearings, electric motors and castings. Some executives report an improved supply situation for raw materials since decontrol, partly because black markets can no longer flourish.

Availability of Labor

The labor picture is more promising—with the large majority of executives expecting no difficulty in obtaining the necessary labor or at least looking for some improvement in the labor supply. Serious shortages of technicians and skilled labor are still present but even these are becoming less of a problem since workers hired since the war are becoming skilled. A note of caution is sounded by some executives who point out that their optimistic views are predicated on a limited supply of materials. If material receipts exceed expectations, they point out, they may be handicapped by labor shortages.

Return of Competition

One-fifth of the cooperating companies report that wartime "order-taking" and easy selling have already been replaced by the return of a competitive market. A slightly smaller percentage report that they are already in a period of transition from a sellers' to a buyers' market. About 13% expect to encounter real competition during the first half of 1947. A third of all the companies surveyed look for a return of a buyers' market in the second half of 1947.

Industries in which competition is already present or currently beginning to make itself felt include petroleum products, machine tools, and food products. Some executives contend that the elimination of controls hastened the return of competition and their programs for more intensive selling efforts have been speeded up.

Plant Expansion

About a third of the companies queried are planning to expand their plant facilities in 1947. A slightly smaller number have either completed expansion programs or have them underway. The remaining companies are confining expenditures to modernization and the replacement of obsolete equipment. Companies embarking on expansion programs are largely motivated by (a) demand for existing products far in excess of present productive facilities; (b) the need for new facilities to produce new products; and (c) the desire to reduce production costs and obtain increased efficiency.

Financing Expansion Programs

About two-thirds of the reporting companies expect to finance their 1947 expansion programs through the use of cash or other assets. Of the remainder, one-half expect to obtain funds through bond or stock issues; while the other half will rely on bank loans.

A number of executives place considerable stress on the need for improving cash positions and obtaining greater liquidity. Retroactive portal-to-portal wage demands have influenced policy with respect to cash positions.

Senator Lucas Urges Labor Study

(Continued from page 141)

and the selection of officers, are harmful to the unions and to the public interest.

Certainly the spectacle of John L. Lewis' ability to shut down the American economy at will calls for an intensive examination of how it is possible for one man to achieve a position of such power. Arrogance which threatens the public interest must be challenged whether it be displayed by management or labor. It must never be forgotten, either by labor or management, that the public interest is paramount in these nation-wide industrial disputes.

To solve the basic problem, more effective measures will have to be taken to promote the peaceful voluntary settlement of labor disputes backed up by the best conciliation service the government can provide; to protect by Federal law the safety and health of those who work in hazardous occupations, and to see to it that a just share of the fruits of production are received by the working man. An exhaustive investigation of the subject matter contained in this resolution will bring to the Congress of the United States pertinent and material facts on the basis of which sane and sensible legislation can be enacted.

The text of the resolution submitted by Mr. Lucas follows:

RESOLUTION

Resolved, that the Senate Committee on Labor and Public Welfare is authorized and directed to make a thorough study and investigation of the field of labor relations, including, but not limited to—

1. The administration and operation of existing Federal laws relating to labor relations,
2. Measures for improving relations between labor and management, for improving collective-bargaining procedures and practices, and for minimizing or eliminating work stoppages due to labor disputes,
3. Measures to protect the public interest and welfare against the effects of work stoppages due to labor disputes in essential industries,
4. Measures concerning the health and safety of employees engaged in industries that are essentially hazardous,
5. The feasibility and desirability of a uniform voluntary system of welfare funds for the benefit of ill, disabled, or aged employees,
6. The feasibility and desirability of guaranteed annual wage plans,
7. The organization and administration of labor unions, with particular reference to the accounting for and control of union funds, the free selection of union officers by the membership, and the degree to which union activities are controlled by and in accordance with the views of the membership,
8. The effect upon labor relations of the concentration of power in the hands of particular individuals identified with management or labor,
9. The methods and practices followed in establishing or determining collective-bargaining units and the desirability of changing such methods and practices, and
10. Measures for bringing about and preserving equality in the bargaining positions of management and labor.

Sec. 2. The committee shall report to the Senate at the earliest practicable date the results of its investigation together with such recommendations as to necessary legislation as it may deem desirable.

Sec. 3. For the purposes of this resolution, the committee, or any duly authorized subcommittee thereof, is authorized to hold such hearings, to sit and act at such times and places during the sessions, recesses, and adjourned periods of the Eightieth Congress, to employ such clerical and other assistants, to require by subpoena or otherwise the attendance of such witnesses and the production of such correspondence, books, papers, and documents, to administer such oaths, to take such testimony, and to make such expenditures, as it deems advisable. The cost of stenographic services to report such hearings shall not be in excess of 25 cents per hundred words. The expenses of the committee under this resolution, which shall not exceed $50,000, shall be paid from the contingent fund of the Senate upon vouchers approved by the chairman of the committee.

Now James & Stayart

DALLAS, TEX.—The firm name of James, Stayart & Davis, Inc., First National Bank Building, has been changed to James & Stayart, Inc.

Economic Background of 1947 Bond Market

(Continued from page 123)

years to come. Unfortunately, we, the long-suffering public, reap the economic whirlwinds, whether sowed by labor, capital, or government!

The inspiring American success formula of more and more for less and less was largely abandoned during the year by both labor and capital. In its stead, the throttling, monopolistic, lower-standard-of-living formula of less and less for more and more has been embraced by too many leaders in both labor and industry. We have traded the American economic credo, our industrial birthright, if you please, for a mess of figures. And, if this trend continues, the torch of industrial supremacy may pass to another nation where there are no strikes, no speculation, no inventory hoarding, and no profits!

In my opinion, the American consumer cannot and will not continue to bear the heavy burden of strikes, stoppages, shortages, and bureaucratic fumbling such as we had in 1946. The shameful spectacle of the American people being unable to buy bread with millions of bushels of wheat dumped on the ground along the roads in the Western states, or the equally disgraceful empty butcher shops with countless millions of meat animals on the farms and on the western ranges, or the tragic farce of John L. Lewis growling in the lobby of a Washington hotel and challenging government itself, must not be repeated.

Must Remove Concentration of Economic Power

Looking ahead to 1947, we must make certain that we shall not suffer from concentration of economic power whether in the hands of labor, bureaucracy, or business. If democracy is to survive such concentrations of power must be broken up by law or public opinion. And, it will not be easy. You recall how the bureaucrats of the OPA held on like grim death until *vox populi* rang out in unmistakeable terms on Nov. 5. It took the prospect of a political landslide of earth-shaking proportions to get our President to face a microphone in Washington on the night of Oct. 14 and announce the beginning of the end of the many Federal wartime controls over business and industry.

A word or two about the national political landslide may be helpful in estimating future trends. Despite widespread public opinion to the contrary, I do not believe that the election indicates that the national government will make a sharp swing to the right. While we are bound to have important labor legislation in 1947, business men who think that labor is going to be forced back to its pre-Roosevelt status are "kidding nobody but themselves"! Before you put your money down on such wishful thinking, may I remind you that *the Republicans are politicians, too!* They are just as interested in the labor vote as the Democrats ever were and the Republicans undoubtedly have learned from the New Deal the most effective way to get such votes!

Significance to Bond Men

The economic conditions which will prevail in 1947 will be of much more than ordinary significance to bond men. Even in normal times there is a close relationship between developments in the field of business and those in the money and capital markets. But, under conditions of managed interest rates and managed money, which we have today, developments in business become of paramount importance because of their effect on Federal Reserve policy. Beyond question, the monetary authorities will be forced to further reduce deposits by selective redemption and shifting bonds from commercial bank to non-commercial bank hands if the wage-price spiral gets out of control. By the same token, an extreme break in prices causing a business recession will not only bring deposit reduction to a halt, but may even reverse the process.

The trend of business in 1947 will depend on what is done about the four great and pressing problems which now confront us. I refer to the demands of labor for wage increases, the dangers of the large and unbalanced inventory situation, the demands of consumers for price reductions, and the burden of the large and unbalanced Federal spending and fiscal situation, which I shall now briefly discuss, in turn.

Wage Stabilization—First Hurdle

The first hurdle which business must surmount is that of the recent rash of sharp wage increase demands made by the leaders of powerful unions in several of our most basic industries. These demands, which range up to $2.80 per day, are so great that if they are fully granted to the automobile, rubber, oil, packing-house, and steel workers, they will undoubtedly so increase the present spiral between wages and prices that the only possible outcome will be economic collapse. On the other hand, if their demands are not substantially granted, there is danger that we may have to suffer through another round of strikes such as we had in the early months of 1946.

Although the current outlook is dark, I am still hopeful that another siege of open labor warfare can be avoided. Perhaps I am just an optimist, but I do not anticipate that business in the year ahead will have to face the widespread strikes that it did in the early part of 1946. Labor leaders are talking "big" and "tough," but I cannot believe that they are anxious to strike. They all saw what happened to John L. Lewis who spear-headed the current drive. They *must* know that management will oppose any further wage demands much more strenuously than in 1946. They *must* realize that if a strike is called it probably will have to be of long duration—and no labor leader wants a long strike, especially under the current conditions of full employment, high prices, and depleted union treasuries.

Although there are conspicuous exceptions, the treasuries of many unions, particularly those of the industrial type, are at very low levels in relation to the huge number of members they would have to carry in case of a strike. Falling off in dues-paying membership during reconversion, and heavy organizing and strike costs, pushed many union treasuries below the danger point. As lack of sufficient funds to pay strike allowances and to hire pickets dooms a strike from the start, an inadequate war chest in a labor dispute is the equivalent of four-wheel brakes on the highway.

The union leaders must know that the rank and file of their membership are not anxious to strike. The members have not forgotten their losses of income during the 1946 strikes; in fact, it will take many of them years to recover the income they lost. In this connection, statisticians estimate that it will take the steel workers six years to regain the income lost during the steel and coal strikes.

From another standpoint, many of the more able labor leaders have read the handwriting on the wall. They realize that if serious strikes further disrupt production and consumption, labor legislation probably will be drastic in character. They know that if the labor situation is relatively tranquil when the Congress convenes, extreme labor legislation will not be passed. (As I said before, the Republicans are not anxious to discipline labor in 1947, if it possibly can be avoided. After all, a President will be elected in 1948, and a vote is a vote!).

It seems probable, therefore, that the present wage demands will be compromised along the lines of the pattern already established in some industries, with increases of 8% to 12%. Of course, such increases will lead to higher costs unless labor increases its efficiency and productivity, but there is ground for hope that this will be done. Productivity is already being slowly increased in some industries; furthermore, the business recession anticipated for 1947 will end the present abnormal and uneconomic condition of over-employment and will undoubtedly spur those remaining on payrolls to greater productivity.

In addition to some unemployment, which will act as a brake on strikes, the declining price level anticipated for 1947 will remove a great deal of the economic compulsion on the union membership.

So, despite the loud labor grumbling throughout the land, I anticipate that 1947 will be a year of *relative* labor tranquility.

Inventory Developments

Inventory developments seem to be giving the government economists more concern than any of the other current economic problems. Swollen inventories have been, in the past, one of the most infallible of the many economic storm warning signals. Inventories are now considerably above the highest point in history and at the last report were being increased at the rate of $12 billion per year. This rate of increase is very great; it cannot continue much longer. The pipelines of distribution have already been filled in many lines; in fact, in some lines, they are more than filled! When inventory replacement demand falls off, competition begins to operate at the producer level causing prices to soften or to break until they reflect the new conditions. Business men, who have confused inventory replenishment demand with true consumer demand, will find adjustment to these new conditions difficult, if not impossible.

From a price standpoint, the unbalanced condition of our inventories is probably even more serious than the huge total. Unfortunately, much of our current inventory consists of products finished except for some small bottleneck part—for example, refrigerators awaiting motors, radios awaiting cabinets, automobiles awaiting generators, etc. Such inventory can come on the market with price-shattering rapidity the moment the missing part becomes available.

Another weakness in our inventory situation is the large total of inventories in consumer hands. These inventories are much larger than generally thought. During the war people got into the habit of forehanded buying. (In fact, you had to buy ahead when opportunity presented itself in order to protect your family from some of the wartime maldistribution and mismanagement.) Soap furnishes a good example of the extent of consumer inventories. As you know, soap and soap powders disappeared from store shelves for some six months during 1946, but you didn't see anybody going around dirtier than usual! There must have been quite a bit of soap in family closets! The widespread use of home freezers and cold storage lockers is another new development which greatly increases consumer inventories.

Some economists have attempted to rationalize the inventory total by pointing out that the increase has been largely due to the increase in prices. They overlook the "last in, first out" inventory price policy followed by many producers nowadays, which effectively prevents inventory price inflation. They also overlook the real problem which is not the total, but the rate of increase and what will happen when that $12 billion is no longer in the demand column.

Still others, particularly business men, relate the inventory total to current sales volume and find that the ratio compares favorably with prewar ratios. They, therefore, conclude there is nothing to worry about. Of course, they are right if sales volume holds up. But, what will the ratio look like when sales drop $12 billion as inventory accumulation stops? And it must stop sometime. Clearly, the end of the inventory boom will have far-reaching and basic effects on business. In my opinion, the end of this boom approaches.

Adjustments in Price Structure

Of the various problems facing business, I am more concerned about the price structure than anything else. The index of wholesale commodity prices for the week ended Dec. 21 reached 139.8% of the 1926 average. This was a 30.9% increase over the same week of last year. Prices have risen so much that the purchasing power of the dollar is about half of what it was in 1939. In fact, farm products are selling for nearly three times what they did in 1939. Whether the higher current prices are justified by higher wages, taxes, and other costs is beside the point. Consumers have a deep-seated conviction that prices are *too high* and that creates a dangerous price structure.

One symptom of the weakness of the present price level is the recent behavior of prices with relation to volume. Despite higher and higher sales totals in dollars, the physical volume of goods sold in many lines has stopped increasing; in fact, in some lines physical volume started to decline two or three months ago. More and more dollars for less and less goods not only absorbs purchasing power, it is a powerful psychological factor, discouraging demand. Declining volumes with mounting sales figures is one of the oldest danger signals in business, yet so many business men refuse to heed the clear warning conveyed.

Over-emphasis on cost accounting, which reached a peak during the war, is undoubtedly at the bottom of much of the current disregard of market realities and potentialities. In wartime, business men could pass their costs on to the government no matter what the final result might be. They seem to think that they can pass their costs on to the consumer in the same fashion, no matter how high their costs may be. Under conditions of competition this is, of course, nonsensical. Under competitive capitalism, which we shall once more enjoy, in the coming year, price determines cost much more than the opposite. When a business man says he has to get a certain price because he has to get his costs back, he conveniently forgets the two great consumer safeguards of substitution and competition. One of the characteristics of a normal market is that a substantial percentage of producers do not get their costs back. Certain producers are selected, by consumers, to be the losers in the economic race. Failure of these marginal producers is normal and happens all the time in competition, a condition which seems to have been forgotten by many.

There is another important aspect in which pricing on the basis of market competition differs from pricing on the basis of costs. Under normal conditions a producer will lose money on a substantial proportion of his output, break even on some of his products, and make a wide margin of profit on the remaining few. Manufacturers today, however, are generally insisting on a standard mark-up over cost on each product regardless of market conditions. This can be done in a sellers' market; but the buyers' markets which are starting in many lines will force all producers to meet the price of the lowest-cost producer, even though costs are not recovered. It is thus that the consumer gets the benefit of efficiency, economies and improvements, and that is the glory of capitalism.

May I epitomize: *In a competitive economy, costs are largely of historical interest; only market price is real.*

Now that we are entering a different era in price determination, what is the outlook with respect to the prices which will be set by the market?

If I may hazard a guess or two, I should say that the prices of farm products have already passed their peak. Record-breaking crops and decline in the effective demand from Europe will drive farm products downward. The sharp, panicky break in cotton prices a couple of months ago, even though the cotton crop was not a large one, demonstrated the vulnerability of the agricultural price structure. Of course, several farm products will enjoy Federal support at slightly lower levels for the next two or three years, and thus will probably not drop too far.

With respect to soft goods of all categories, I anticipate a marked improvement in quality and an acceleration of the current price decline. Production of such goods is now in large volume and can be expanded even more. There are, in general, no accumulated demands in the soft goods field; on the contrary, as pointed out earlier, the inventories in the hands of consumers are much larger than is generally thought. Moreover, and most importantly, a larger proportion of the family income will be devoted to purchases of durable goods, such as home furnishings, automobiles, and so on, which are now beginning to come on the market in real volume.

As for the prices of durable goods, I anticipate that they will remain high a little longer; but as soon as we can get rid of some of our bottlenecks, increase the productivity of labor a little and really get production rolling, durable goods prices, too, are bound to drop. Of course, labor may be unintelligent enough to prevent prices from dropping. If this happens, sales will not be as large as expected and profitless prosperity and a "leetle mite" of bankruptcy may be expected.

Disappearance of the vaunted backlogs of demand for durable goods will be one of the features of 1947. Increasing production and the higher prices now prevailing will eliminate these backlogs much quicker than expected. So, in my opinion, competition and the search for volume will begin to lower even durable goods prices by the second half of the year.

Anyone who doubts this should pause and reflect on the utterly fantastic productive facilities of this great country of ours. According to the National Industrial Conference Board, in 1939 we had $39,583,000,000 of productive facilities to which we added, during the period July, 1940 to June, 1944, further facilities totaling $23,505,000,000, and since June, 1944, we have added several billions more of productive facilities. Thus, *despite current thinking and indications to the contrary, we undoubtedly have, on any realistic basis, great over-capacity in nearly all lines of business activity.*

Federal Taxes

The last economic problem I listed for discussion will be only briefly mentioned because it is so well known. I refer to the continuing huge Federal expenditures and heavy taxes. In the present fiscal year ending June 30, 1947, we are spending more than in the entire period of World War I; more than in the entire decade of the roaring twenties; more than in the five years of liberal Rooseveltian spending just prior to the outbreak of World War II. The current spending imposes a yearly Federal tax load alone of around $1,000 on the average American family. In addition, there is a heavy load of state, local, and municipal taxes which must be borne. The deflationary aspect of such heavy taxation is well known; it is a great burden on the economy as well as on the individual. Consequently, it is imperative that our New Deal and war-born legacy of "spend, spend, spend" be promptly examined with a critical eye. The degree of success achieved in solving this problem will have a controlling effect on the future of American business.

Summary

Summarizing my views on probable economic developments in 1947, it seems clear that the biggest and most significant developments will be the return of competition between producers and competition in the ranks of labor. This competition will bring lower prices and some failures to capital; it will bring some unemployment and higher productivity to the ranks of labor. In general, 1947 ought to be a good year for those, both labor and capital, who can face the return of real competition.

As I see it, we shall have a slowly declining price level, which may assume serious proportions in some lines by the second half of the year. By that time, I also anticipate that the prices of consumer *durable goods* will begin to fall. I further expect that these declining prices will have a temporary effect on business activity —that is, that we shall have a recession in business. How long and how pronounced this recession will be will depend largely on the attitude of labor in general and on the cost of construction in the building industry. If labor will be reasonable and if it will increase productivity so that the current high costs in industry, especially in the construction industry, can be ameliorated, then the decline in general business activity should be only moderate and, on the whole, beneficial.

On the other hand, if costs and prices continue to rise and labor troubles flare, the recession will be much more serious. But, even at that, I do not expect a *depression* because the accumulated demand for housing and some durable goods is very great; and the current income and the liquid assets in the hands of the American people are at very high levels.

A short analysis of the probable effect of the foregoing economic developments on the capital and money markets may be worthwhile. Declining prices and the end of inventory accumulation indicate the tapering off of loan expansion from such sources. In the coming year, the chief source of increased loan volume will be in the financing of durable goods. Over-the-counter rates, however, will continue to increase as business is becoming more risky.

The present outlook is for a balanced budget. This means that the decision as to whether the Treasury will offer new securities, *and to whom*, will largely depend on business activity and loan and deposit trends. If prices drop and the return flow of currency is heavy, excess reserves may increase, which might cause the bill and certificate rates to "defrost" themselves by declining from *the present fixed levels.*

As, on balance, the redemption and refunding of securities held by the commercial banks should be greater than the amounts released by the Federal Reserve Banks, the end of 1947 should find the commercial banks holding fewer government obligations than now. This trend and the probability that loans will not increase very much indicates that the volume of deposits will not change greatly.

All in all, 1947 should be a very interesting year in the capital and money markets. The fiscal and debt management policies of the Administration will be revealed; there will be a trend toward the traditional relationships between the various interest rates; and the Federal monetary authorities will retain their close control of the rate structure and the money market.

Washington and You

(Continued from page 125)

Almost certain rejection is in sight for President Truman's plea that Congress defer from next June 30 to June 30, 1948, the death of wartime increases in excise taxes. On the contrary, Republicans are considering early action cutting back the rates even before June 30.

* * *

Caution will highlight Congressional consideration of the Federal Reserve Board's contemplated design for supervising bank credit. The Board wants to (1) require banks to hold a certain portion of their reserves in short-term Federal certificates, and (2) thereafter defrost the pegged short-term certificate market.

* * *

Congressional explorations into ways and means of discouraging monopoly will produce legislation so amending Section 7 of the Clayton Act as to curb more effectively the increasing mergers of competing corporations under common ownership through acquisition of their stocks or assets. There's a fair chance something of this character may be fashioned and enacted before adjournment.

* * *

"The self-interest of banks and other financial institutions in withdrawing their support from the financially weak as soon as a depression cloud appears on the horizon" contributes to the concentration of industry and resultant monopoly, Federal Trade Commission warns in a report to Congress. Already, says FTC, bankers are withdrawing loans from or denying loans to warspawned plants with financial and market weaknesses. The agency foresees more of this as war industries wither under the heat of competition. FTC offers no solution, simply cites this trend as another contribution toward monopoly through the swallowing of the weak by the strong.

* * *

Talk of a 20% tax cut across the board has become purely political. Republican House leaders will sanction its approval because of campaign pledges. The House may vote aye. The Senate will vote nay, will distill this cosmic dreaming down to more realistic reasoning. Gaining in favor is a graduated reduction, with greater benefit to low income citizens.

* * *

Parity-supporting Federal payments on wheat before 1947 yearend are anticipated by Agriculture Department prophets. Export demand for the grain has passed peak. Decline in exports is inevitable, consequent fall in domestic price feared. Together, the two make a revival of subsidies look unavoidable.

* * *

Congress is to be asked by Vermont Republican Senator Aiken to prepare for inevitable surplus foods by enacting a new stamp plan. He proposes that (1) stamps exchangeable for certain designated foods at registered grocery stores be issued by the Agriculture Department, and (2) that such coupons be sold at 25% discount from face value to people in low income groups. He holds this system would minimize surpluses and provide an adequate diet.

Sugar consuming industries need expect no substantial increase in their quotas before late 1947, if then. Recent trends have encouraged some of this group to hope quotas might shortly be lifted to prewar levels. Such is not contemplated by OPA dispensers.

* * *

OPA may turn to new system of sugar rationing by mid-year. The agency is considering abandonment of stamps and the stamp-banking plan substitution of a punchable coupon.

* * *

Ambitious OPA lawyers will plague Congress for money to finance continued prosecution of transgressors against old OPA commands will be rebuffed. It's the oft-told tale of bureaucrats striving to create jobs for themselves. But politicians of both major breeds have had enough of OPA, won't give its holdover shysters more taxpayer toll.

* * *

Commercial airline operations shouldn't be surprised if Congress demands a reckoning. Airminded legislators are honestly disturbed by the airline mess, want to learn if remedial legislation is possible and desirable. Certain to be heard from in this matter is the House Interstate and Foreign Commerce Committee to which airline jurisdiction is assigned by the Congressional Reorganization Act.

* * *

Air transport of agricultural perishables will be a 1947 standout. Rates will remain more costly than for rail or water movements, but will be offset by savings in lighter containers and refrigeration expense.

* * *

And keep an eye cocked for phenomenal growth in quick freezing and marketing of meats and poultry. While frozen fruit and vegetable industry faces a chilly future right now, Federal anticipators report a spot check shows more frozen meat and poultry will receive a warm reception from retailers and consumers.

* * *

The ruction between rail and truckers over rates on less than carload freight in pickup and delivery is to be ventilated in Chicago Feb. 8 by the Interstate Commerce Commission. Rails claim they lose money on this traffic because their charges are held down to compete with trucks. Truckers counter with complaint that competing rail rates force them to maintain their tariffs at unduly low level. ICC looks to the Chicago hearings for enlightenment.

* * *

Federal agencies will strive to crush one supply bottleneck this year by upping numbers of new locomotives and freight cars available to the railroads. They envision (1) greater steel production, (2) greater flow of steel to car and locomotive makers, and (3) curtailment in exports of cars and locomotives. In particular, transportation deficiencies contribute to lumber shortage.

Tariff tussle gets rougher as Committee on Reciprocity Information readies for hearings Jan. 13 on projected modifications in 18 reciprocal trade agreements. Here's the outlook: (1) hearings will be statistical seminars, dull, protracted, a month or more— actually empty gestures; (2) final decisions will be drafted in secret chambers by parties unidentified; (3) in Congress, special interest blocs will brawl with reciprocity legislators. Probability is that no legislative action can emerge before the world-wide trade conference in April, that the Administration will trade in these marts with unfettered bargaining power.

* * *

More to be watched than the Reciprocity Committee hearings will be the projected International Trade Organization poll to be launched by the State Department Feb. 25. Hearings will be conducted in Washington, Boston, Chicago, New Orleans, Denver and San Francisco. Real purpose is to tap public opinion for support of ITO, aimed toward lowering of trade barriers. The succeeding stage will be sessions of the preparatory committee opening at Geneva, April 8.

* * *

That renowned inflation circle may have big farm owners dizzy before the 1947 recession is come and gone. Farm debt is lowest now since 1915, but some farm land purchasers with heavy indebtedness will be hard pressed if agricultural incomes decline. They may have to incorporate operating and production credit obligations into real estate indebtedness, thereby pointing the way toward distressed farm land sales. Congress will ruminate on this situation, perhaps prepare for it.

Ward & Co. Offers Halliday Common

Ward & Co. made a public offering Jan. 7 of 74,687 shares of 50c par value common stock of Halliday Stores Corp., operator of a chain of women's and children's wear shops located in the South. The stock was priced at $4 per share.

Proceeds from the sale will be applied by the company to the purchase of all of the outstanding stock of Benton Stores, Inc., and its affiliates. The purchase price of the stock is expected to be approximately $425,000.

Halliday Stores Corp. was formed under New York laws on Jan. 5, 1946, as an affiliate of Benton Stores, Inc., which was organized Dec. 6, 1938. Through itself and its affiliates, the parent organization presently operates five leased stores and four leased departments at various locations. Ready-to-wear operations are conducted in Atlanta and Augusta, Ga.; Gadsden, Ala.; Charlotte, N. C.; Florence and Charleston, S. C., and Louisville, Ky. The main office is in New York.

Without giving effect to the present offering, Halliday Stores Corp. has a total of 80,000 shares of common stock issued and outstanding. All shares of the common stock have equal voting rights of one vote per share. The securities have no preemptive rights.

Now Hammond & Fisher

Frances H. Lyon retired from limited partnership in W. Wallace Lyon & Co., 50 Broadway, New York City, members of the New York Stock Exchange, on Dec. 31, and on Jan. 1 the firm name was changed to Hammond & Fisher.

Frank B. Cahn Admitting

BALTIMORE, MD.—Frank B. Cahn & Co., Equitable Building, members of the New York and Baltimore Stock Exchanges, will admit Milton Gerber to partnership on Jan. 16.

Hess, Blizzard & Co. In Philadelphia

PHILADELPHIA, PA. — Hess, Blizzard & Co., Inc. has been formed with offices at 123 South Broad Street. Officers of the new organization are Arleigh P. Hess, President; D. J. Taylor and R. E. Hendee, Vice-Presidents; Herbert H. Blizzard, Secretary-Treasurer; E. K. Scott, Assistant Secretary and H. B. Gurney, Jr., Assistant Treasurer.

Herbert H. Blizzard

Mr. Hess was previously a partner in Arleigh P. Hess & Co.; Mr. Taylor and Mr. Hendee were with Boenning & Co. Other officers were previously partners in Herbert H. Blizzard & Co.

Also associated with the firm are Arthur L. Batten, Thomas J. Joyce and William M. Hess.

Hess, Blizzard & Co. will conduct a complete trading and investment business.

H. Neil McKnight Co. Formed in Pensacola

PENSACOLA, FLA. — Harry Neil McKnight has formed H. Neil McKnight Co. to engage in the securities business. Mr. McKnight was previously an officer of Milhous, Martin & McKnight, Inc. of Atlanta.

H. Neil McKnight

Holley-Dayton & Gernon Admits New Partner

CHICAGO, ILL.—Admission of Leonard V. Dayton to partnership in the firm of Holley, Dayton & Gernon of Chicago, members of the Chicago Stock Exchange and Chicago Board of Trade, has been announced. Mr. Dayton is in charge of the firm's Minneapolis office in the Rand Tower. He joined the organization in 1943 and served for a time in the Navy. He is a graduate of Princeton University and the Asheville School, Asheville, N. C.

Other partners are Ward W. Dayton, Edward T. Gernon, John M. Holley, Jr., Ernest A. Mayer, Joseph C. Ores and Elizabeth L. Dayton. Branch offices maintained in Madison, LaCrosse, Eau Claire, Fond du Lac and Wausau, Wisconsin and Roswell, New Mexico.

Mitchell Securities To Open in N. Y. C.

Mitchell Securities Corp. is being formed with offices at 37 Wall Street, New York City, to engage in the securities business. Officers are Bancroft Mitchell, President and Treasurer; Robert H. Smith, Vice-President; and Lynn Hafner, Secretary. Mr. Mitchell was previously with Marx & Co. of New York as manager of the statistical and new business department.

Price Control in the Securities Field

(Continued from page 123)

lish the 5% spread interpretation. This opinion was rendered on Nov. 25, 1944.

"The third aspect of the letters is that they set forth a flexible criterion to be used in determining what prices, inclusive of spreads of mark-ups, bear a 'reasonable relationship' to current market. As we have already noted, the percentage of spread or mark-up is only one of the factors pertinent to such a determination. Others include consideration of the dollar amounts involved, market conditions in the particular security, the relationship between the member and his customer, and any unusual circumstances incident to the particular transaction. The Board also recognizes that the Association is 'devoted to the principle that its members are entitled to make a profit,' as stated in the letter of Oct. 25. The same principle is embodied in Section 4, Article III of the Rules of Fair Practice.

"The Board emphasizes that 'it would be impracticable and unwise, if not impossible, to write a rule which would attempt to define specifically what constitutes a fair spread or profit, or to say, in exact percentage or dollars, what would result, in each and every transaction, in a price to the customer which bears a reasonable relationship to the current market.'"

How is each dealer to determine whether the Business Conduct Committee of the NASD, its Board of Governors, and the Securities and Exchange Commission, will have the same reaction to "dollar amount," "market conditions," customer relationship and unusual circumstances that he has.

Doesn't it seem incongruous to have the SEC characterize as impractical the establishment of a rule which would attempt to define what constitutes a fair profit or a fair spread, and nevertheless, at the same time, have the NASD attempt to do by interpretation what cannot be done by rule.

The 5% mark-up yardstick has served to point up the problem of Main Street against Wall Street, particularly because the result has been to change trade custom and usage as it theretofore existed in the securities field by means of an interpretation, which was not submitted to the NASD membership for approval, to the detriment of small dealers in securities in all parts of the country.

In our judgment intelligent finance is opposed to this yardstick, and any other policies that favor big business to the detriment of small business, knowing that it will eventually be detrimental to all concerned and the cause of capitalism as a whole.

Our view has always been that trade custom and usage may be altered either by a self-operating change of such customs and usage, or else by specific legislation.

Never, in our opinion, can that result be legally accomplished by any artificially imposed fiat.

In the light of the above quoted opinion, we find the arbitrary attitude of some of the business conduct committees in calling dealers to account merely because of the size of the spread, is wholly improper.

If so important a matter as spreads and profits cannot properly be the subject of a rule, then they may not properly be the subject of an interpretation or yardstick.

HERE LIES CONGRESSIONAL OPPORTUNITY TO GIVE IMMEDIATE RELIEF TO A SORELY OVER-REGULATED INDUSTRY BY PASSING A STATUTE DECLARING IT TO BE ILLEGAL FOR ANY REGULATORY BODY IN THE SECURITIES FIELD TO CONTROL OR ATTEMPT TO CONTROL THE SIZE OF SPREADS OR PROFITS OR TO COMPEL A DEALER TO TELL HIS CUSTOMERS THE INSIDE OR WHOLESALE MARKET PRICE BEFORE EFFECTING TRANSACTIONS FOR THEM.

Naess-Cummings Admit Thielbar as Partner

Naess & Cummings, investment counselor firm, announce that Henry B. Thielbar has been admitted to partnership in the firm. Mr. Thelbar became associated with the firm last March upon his release from active duty with the U. S. Naval Reserve. Prior to the war he was for some time in the investment advisory department of Alex. Brown & Sons in Baltimore.

Lehmann & Verace Admit

Lehmann & Verace, 1 Wall Street, New York City, members of the New York Curb Exchange, have admitted Frederick W. Klingebiel to partnership.

Storrow With Blair & Co.

BOSTON, MASS.—Blair & Co., Inc. announces that Thomas W. Storrow, formerly with Lazard Freres & Co., is now associated with them in their Boston office, 50 State Street.

Preview of 1947 Problems

(Continued from page 129)

common policy is to reduce inventories and shorten commitments. They are carrying out this policy while demand is still supported by high purchasing power, and they propose to have the situation in order if a falling off in employment and payrolls should come and deal a real blow to their sales.

Manufacturers' inventories are a subject of comment along with those of retailers, and were referred to in this "Letter" last month. They are not excessive when measured against sales and shipments, but on the contrary are short according to relationships which have prevailed in the past. While speculation for higher prices undoubtedly has animated some buying, the primary reason for building up stocks has been to support the expansion of sales, and there has been a notable increase of caution in recent weeks. Nevertheless, inventories are unbalanced, and as in the past they would become excessive in some things if sales should fall off.

Forecasters expecting a business decline put stress on inventory accumulation, but not primarily because they fear liquidation will suddenly set in and cause depression. Their main argument is that inventory buying has swollen the demand in the markets, and that when it ceases there will be a smaller outlet for production unless other demands rise to a compensating extent. This is true, but it is not the last word on the matter. For if prices and incomes are in balance and the pattern of production fits the demands of the buyers, there is never any reason why buying cannot absorb full production. This puts the emphasis on other aspects of the outlook, namely, the balance in costs, prices and income relationships.

A Shift in Demand and Production

A problem of the economy as a whole in the coming year is to make the changes required as the proportion of non-durable goods bought by consumers declines while the proportion of durable goods rises. This shift is already under way, but has had no business effect because there has been room for expansion in both kinds of goods. However, the catching up with deferred needs goes faster in non-durables than in durables, and as the year goes on the pattern of consumer expenditure may be expected to shift toward the latter.

Shifts in demand require shifts in production, and the question is whether overall activity can be sustained if there is some easing in production and employment in non-durables. The problem is to take up the slack by expansion in construction, automobiles, and other hard goods. Such transitions are not easy. On the other hand, demands on the durable goods industries are so intense, and plans for expansion so widespread, that it is hard to believe the transition problem can have more than secondary importance. All economic precedents are against a major depression originating in the soft goods industries, for by their nature their cycle of decline and recovery is a short one. When durable goods production is making a full contribution to income and purchasing power, adjustments in non-durables make only a minor impression on the general situation.

Food Prices and Living Costs

Another preview of an adjustment that is likely to go further in 1947 has been given in certain food markets. It is now generally agreed that the peak in farm and food prices has been seen, and that further declines are to be expected, possibly even before the approach of the 1947 harvests. At several press conferences during the past month Secretary of Agriculture Anderson has expressed belief that retail food prices will level off for several months and then decline later this year. The Bureau of Agriculture Economics has predicted a 5 to 10% decline in farm prices from the October peaks over the next few months, and a 15 to 20% decline for the marketing year beginning July 1 next.

The peak in meat and lard prices clearly was passed several weeks ago, for the drop in these commodities from the high points reached after decontrol has been of the order of 34% in wholesale beef, 43% in pork shoulders, and 55% in lard. Lesser declines have occurred in butter and eggs, corn, wheat, and flour. Contracts for distant future delivery in almost all agricultural products are below current spot prices. Citrus fruits and canned juices have had a violent decline, and weakness in some other canned and frozen foods is observed.

The high cost of living is one of the major eocnomic problems of 1947. The trend of the relationship between incomes and living costs for some time past has been unfavorable. Per capita national income after taxes almost doubled during the war, while the cost of living, according to the Bureau of Labor Statistics consumer price index, increased only 30%. Since the end of the war, however, the increase in disposable income per capita has been less than 6%, while the cost of living, using the figure for Nov. 15, increased 17.2%. Most of the jump has occured in the past five months. This is moving in the wrong direction. If the cost of living can be cut without an equivalent decline in national income—which is possible by increasing productivity—real purchasing power will rise, and nothing could so improve the outlook.

One way to narrow the gap, and one which it is now seen free markets will accomplish, is to bring down the retail food prices which are so weighty in the cost of living, and which have risen as compared with prewar more than other prices and the run of wage rates. Declines in prices of farm products may mean moderately smaller incomes for farmers, even though production is huge as now expected. Nevertheless, the net effect of lower food prices upon the economy should be beneficial. Farmers as a group are in unprecedently good financial shape, with reduced debt and increased liquid assets. They have had a greater rise in income and buying power than most other elements of the population. Any general survey would conclude that they can stand a modest loss of income through price declines better than the rest of the people can stand a continuation of present living costs. As buyers they will benefit along with city peoples from a check to the upward trend, and the obvious place for the check to begin was in foods.

From that standpoint it would be wrong to consider the prospective drop in food prices as bearish on the general situation. Rather it helps restore balance and stability, maintain real purchasing power, and support trade.

Lower Unit Costs Needed

The second way to bring down living costs relative to income is to improve the efficiency of industrial output, reduce unit costs of industrial products, and pass the saving along in lower prices in which everyone can share. To bring this about is the most urgent problem of management and labor in 1947, and the extent to which it may or may not be accomplished is the year's greatest enigma.

Union leaders have a different approach to the income-price relationship. They favor increases in money wages. However, this is an illusory route. We shall not anticipate here the discussion of the CIO proposals which appears further on in this "Letter," except to point out that general and substantial wage increases cannot possibly be absorbed without increasing prices, because they could not be so absorbed by **all** producers. Even if statistically corect, calculations as to what wage increase employers **on the average** can absorb are meaningless, for there is no pooling of enterprise, profits and losses in this country, and changes in costs exert their influence not on the average but on the margin. Hence the proposal to catch up with the cost of living by raising wages is one which would give another turn to the wage-price spiral.

As was said here a month ago, "the longer the wage-price spiral lasts and the higher it ascends the greater is the danger that the next turn wil destory the balance of the structure and start it toppling." Organized labor includes only about one-fourth of the gainfully employed people in the country. If one group insists on higher money wages which lead to higher prices than other groups, in the long run, can pay, the product is priced out of the market and the nominal money gains of the workers are given up in unemployment.

As opposed to this illusory means of catching up may be set the advantages of effort to increase efficiency and production, and of waiting, in the interest of stability, until normal competitive forces and the return of buyers' markets in one line after another bring down living costs. When productive efficiency is increased, and the benefits are distributed through lower prices, all groups go forward together.

Any forecast that 1947 will be a good year must be based, in final analysis,* upon a belief that through good sense and mutual adjustment a workable answer will be found to the wage question. For if the year is to be one of long and costly strikes, or if an exorbitant price, in the form of wage increases which the economy cannot possibly sustain, is to be paid to avoid strikes, then depression threatens.

New York Stock Exchange Weekly Firm Changes

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

Leslie L. Bennet & Co. was dissolved on Dec. 31.

Transfer of the Exchange membership of the late William J. Baroni to William J. Baroni, Jr., will be considered by the Exchange on Jan. 16. It is understood that he will act as an individual floor broker.

M. D. Doyle & Co. was dissolved on Dec. 31.

Interest of the late G. Hermann Kinnicutt in Kidder, Peabody & Co. ceased on Dec. 31.

Frederick A. Lockwood, member of the Exchange, and a general partner in Lockwood, Peck & Co., became a limited partner as of Jan. 1.

Lewis W. Feick retired from partnership in Riter & Co. on Dec. 31.

Exchange Sponsors Special Services at Trinity Church

On Wednesday, Jan. 8, the New York Stock Exchange community sponsored the first of a series of special services in Trinity Church, Broadway at the head of Wall Street, as a tribute to the Exchange's distinguished neighbor as it enters upon its 250th anniversary year. The service lasted about 30 minutes.

"The Question Before the House"

(Continued from page 126)

Congress added grants for airport construction, for hospital surveys and construction, and for "non-profit" school lunches.

And therein lies the "something new" facing the 80th Congress. Both the hospital and lunch grants are to be allocated to the states on a formula which takes into account the relative needs of the states. That is, the states with the lower per capita incomes are allowed a higher amount of Federal funds per capita. In other words, the grants are "variable." Although the idea of a variable grant is not new, this is the first time in our history that a specifically defined variable formula has been legislated.

This precedent is an important factor for the new Congress because the Federal Security Agency has been recommending a variable formula for public assistance grants for some time, and will no doubt increase its efforts now. Public assistance grants alone now make up over half the entire total of Federal grants: in fiscal 1945 these grants totaled $401 million out of $730 million, or 54.9%. All grants related to social security (health, welfare, employment security) accounted for over 71.5% of Federal aid in 1945, totalling $522 million. The variable formula is therefore a large-scale question in the total picture of Federal aid.

But the total picture of Federal aid ought to be shown first. The change for the country as a whole, from 1940 to 1945, can be seen most easily on a regional basis. Because these changes follow in general the pattern of increases in per capital income payments over this period, the 1945 regional per capita income payments and their percentage increases over 1940 are also given.

	Income Payment 1945 per capita	% above 1940	—Federal Aid— 1945 per capita	% from 1940
New England	$1,288	78	$4.93	—10.9
Middle East	1,370	82	3.62	—16.4
Southeast	761	136	4.90	+27.6
Southwest	906	127	7.44	+44.2
Central	1,217	101	5.24	+ 2.14
Northwest	1,101	143	9.16	+ 7.3
Far West	1,443	92	7.90	+ 5.3
U. S. Average	1,150	100	5.54	+ 9.5

The conformity of patterns would show clearly if the data were done in weather-map style. The general effect would be "lows" in New England and the Middle East. Both regions had the least increase in income payments, and both had definite decreases in Federal aid. These areas are the traditionally "rich" Atlantic seaboard. At the other extreme, their poor relations, the Southern States, show up as "highs," with unusually high increases not only in per capita income payments, but in Federal aid, too.

This general result is seen rather sharply in actual state-by-state changes. Ranking the states according to 1940 per capita income payment, here's the picture for the six "richest" and the six "poorest" states.

	Income Payment 1945 per capita	% above 1940	—Federal Aid— 1945 per capita	% from 1940
Delaware	$1,381	54	$6.49	+ 4.3
New York	1,595	85	3.67	0.0
Nevada	1,243	49	14.06	—46.1
Connecticut	1,449	75	3.72	—21.2
California	1,480	84	7.51	+ 9.3
New Jersey	1,373	71	2.75	—23.0
Georgia	745	137	4.96	+34.4
Kentucky	735	139	4.59	+40.8
South Carolina	663	132	5.60	+53.0
Alabama	700	161	4.48	+32.5
Arkansas	654	160	4.84	+16.1
Mississippi	556	175	4.48	+19.5

It is obvious that the movement is toward the average, away from the extremes. In other words, there is an equalizing shift at work. The rich are **not** getting richer while the poor get poorer.

In regard to the changes in Federal aid, the significant factor is the increase of aid to the so-called poorer states, and the decrease or minimum increase to the richer states. In fact, what the variable grant would be expected to bring about is already well under way, without the variable formula. An equalizing, redistributing effect has already occurred.

The Question of the Variable Grant

To go back now to the question of the variable grant itself. In facing the increasing fiscal significance of Federal aid to the states, the new Congress will ultimately have to answer several questions. The first is, should the Federal Government allocate funds according to the relative needs of the states? Or, are we going to substitute a new concept for the essential premise of the Social Security Act in regard to health and welfare grants? This premise is in the first sentence of each title establishing such grants-in-aid. It provides that the grants are "for the purpose of enabling each state to furnish financial assistance (or to extend and improve services) *as far as practicable under the conditions in such state*." (Italics supplied.) The principle of the variable grant is in basic contradiction to' the policy implicit in that clause. "Under the conditions in such state" would logically preclude a Federal mechanism changing or equalizing those conditions by the manner in which tax money collected from the states was reallocated and given back to them.

Within this question of principle is another question, for the variable grant concept assumes a real and measurable difference in state needs. What is an adequate "means-test" for state need? A variety of known factors, finally combined into a scientific needs-budget, comprise the means-test which determines whether or not an individual will receive public assistance. What factors best measure the fiscal need of the states? Do the states really need more Federal aid? The debt situation in the states has been referred to as "the best it has been in 50 years," that is, the lowest. There are large surpluses in the general, highway and postwar funds of the states. Employment throughout the country, except for strikes, is higher than it has ever been. The attainment of Mr. Wallace's goal of 60 million jobs has been conceded. The per capita income of the states has doubled since 1940. There were only 16 individual states in which this average was not attained, and 13 of these were among the highest income states in the country. The greatest income increases were in the so-called poor states. And, as has been pointed out, the greater per capita increases in Federal aid have already gone to the "poorer" states. What then is to determine if more differentiation is needed, and how much more?

Does The Formula Work

Finally, there is the technical question of the formula itself. Assuming now, that grants are to be allocated according to need, that is, more to the poor states, does the equalization formula effect this? The answer is no; the variable mechanism does not do what it is purported to do. It is **not** the Robinhood formula.

This is demonstrated by applying the formula to actual grants. The formula most frequently used in proposed legislation over the past few years has been one limiting Federal participation to 75% of expenditures for states having a per capita income below the national average per capita, and providing 50% for states having the national average or above. When this formula is applied on a state by state basis, with 1944 per capita income data and actual 1945 expenditures for old-age assistance, the results are most illuminating:

First, the excess of Federal funds provided by this formula over those actually granted in 1945 would be $21.5 million for the 16 high income states, and only $23.0 million for double that number of low income states. One and a half million dollars, spread over 32 states, could not be considered an effective agent of "equalization."

Second, if the excess is applied to 1945 caseloads, the spending of funds would allow for a case payment increase of $1.73 a month in the 16 rich states and $1.82 for the 32 poor states. This 9¢ difference per case per month could hardly be of much "equalizing" value.

Third, if the excess is applied to allow for new cases, assuming no increase in the level of case payments, the caseloads could be increased 4.4% in the 16 rich states and 7.8% in the 32 poor states. This greater increase in the poor states is logical, of course, since the distribution of some $20,000,000 will go further when given in smaller case grants; and in 15 of the 32 "poor" states the average case payment is lower than the U. S. average case payment. (It is significant, however, that more than half of the "poor" states made case payments **above** the U. S. average.)

Fourth, the result of the formula thus is not what is expected. It neither provides effective excess funds to the poor states, nor allows for sizable increases of case payment and case loads in those states. The general effect is merely that of increasing the over-all Federal participation. In the 16 rich states, Federal participation would be increased from 44.9% to 50%; and in the 32 poor states, from 48.7% to 55.7%. (It is interesting that in no states is the 75% maximum participation reached.)

The entire problem of the variable grant thus relates itself to matters of a more general nature than the individual state caseload or case payment. One of the first considerations to be faced is whether or not public assistance is to continue primarily as a state and local function. Already Federal participation is above the half-way mark. Under equalization formulae the half-way mark becomes the minimum. And if a formula were devised to provide substantial increases in case payments and to allow at the same time an increase in case load, then controlling responsibility would be assumed by the Federal government. The pressure to establish a single Federal agency of cabinet stature, coordinating and supervising all welfare activities and services, is one of the leading steps to ultimate Federal domination of this function.

Federal Aid Becoming An Encroachment

Regarding the subject of Federal aid for public assistance, it is abundantly clear that the encroachment of the Federal government into this state function has widened decidedly, and is on the way to becoming greater. The states are being more and more involved, as their own relief expenditures increase, in a burden over which they are having less and less voice. There is substantial evidence questioning the need for this great volume of Federal aid. The record does not wholly substantiate Social Security Commissioner Altmeyer's contention that "in most of the low-income states assistance has continued to be woefully inadequate." Assistance grants have increased materially; eligibility has widened; Federal maximums have not been responsible for conspicuous restraint in state assistance payments. Not only is the need for a variable grant formula for all the states open to challenge, but the effect of its operation is seriously questionable. If the aim is to see that the poorer states are given larger assistance payments, why include the richer states in the formula? In fact, why bother with "equalization"? Why not a direct, flat-rate bonus grant to the needier states? On the other hand, if the equalization formula is to assist the poorer states because of general fiscal inadequacy, why tie the grant in to a welfare base? Why not a general Federal formula for the redistribution of state fiscal resources and unrestricted grants-in-aid?

If the states are to continue in Federal fiscal bondage, the only way left for them to maintain any independence, or to exercise choice with regard to internal management, is to sue for the right of unrestricted grants—even as the individual relief recipient has been privileged by unrestricted assistance payments. The parallel between the individual recipient and a state unduly dependent on Federal support is not mere coincidence. It is a likeness growing closer every day. Before our very eyes, the welfare state of mind is turning into the welfare state.

In summary then, one of the important questions before the new Congress is Federal aid by means of variable grants. And if the principle is accepted, an adequate means-test must be found. Whatever need is determined must be met by a reliable method of allocation. All in all, as it stands now, the variable grant formula is an administrative gift horse which needs to be looked squarely in the mouth.

The Past Year in Municipals

(Continued from page 124)

bonds would be governed by the supply of material and labor.

Some of the moneys would be expended by the Federal Government, a certain amount of cash would be made available by the Municipalities and less than $4,000,000,000 of Municipal bonds would be issued to finance the municipal improvements. When it is considered that Municipalities retire close to a $1,000,000,000 of debt a year and the large amount of investment money which is, or shall be available, the market in Municipals has overdiscounted the increase in supply as well as expected tax reductions.

Interest rates on government securities have a great bearing upon the price of Municipal bonds. Most economists do not feel that there will be a great change over the coming years in the interest rate. The Boren Bill, which received the attention of Municipal dealers and Municipal officers is expected to be taken up during 1947. Such a bill will keep the Securities and Exchange Commission from its control in either the purchase or sale of Municipal and government securities of the United States.

The volume of Municipal and state securities issued during 1946 was close to $1.2 million, being larger than the last five years and considerably lower than 1940. There was not a single default during the year.

The Municipal Officers Association statement made to Municipal officials concerned itself with finances and recommended that revenue be provided for the repayment of loans contemplated.

It was noted that a trend had been created to have the states collect certain taxes and distribute them to the Municipalities. Many states thus pay the expenses of schools and highways. The gasoline, automobile license plates and liquor taxes are an important source of income, relieving the burden on real estate.

Income taxes may be reduced which should leave more funds available for investments.

The following are the important Municipal Bond issues underwritten in 1946:

$15,000,000 by the Maine Turnpike Authority.

$18,757,000 by the Port of New York Authority.

$19,750,000 by the Los Angeles, Calif. Dept. of Water & Power —Electric Plant Ref.

$30,000,000 by the Delaware River Joint Comm.

$10,000,000 by the Seattle, Wash. School District.

$29,100,000 by Philadelphia, Pa.

$15,000,000 by California.

$10,000,000 by Los Angeles, Calif.

$16,050,000 by Massachusetts.

$10,500,000 by the Sacramento, Calif. Mun. Utility Dist.

$20,000,000 by Rhode Island.

$46,000,000 by the Pennsylvania State Tpke. Ref. Rev.

$23,200,000 by the City of Baltimore, Md.

$10,000,000 by the Chicago, Ill., Sanitary District.

William Raffel Forms Own Investment Firm

PHILADELPHIA, PA. — William Raffel is forming Raffel &

William Raffel

Co. with offices at 123 South Broad Street. Mr. Raffel was previously a partner in Collom, Raffel & Co.

Baumann and Roth With Hay, Fales & Co.

Hay, Fales & Co., 71 Broadway, New York City, members of the New York Stock Exchange, announce that Jerome Baumann and Milton Roth have become associated with their firm. Both were previously partners in Jacobs & Low.

Observations

(Continued from page 125)

meeting, the victors are basically jockeying between themselves for advantages, instead of acting concertedly against a common enemy. Thus, the Russians have been interpreting the Potsdam agreement as giving them permission systematically to strip its occupation zones of production machinery as well as natural resources. Despite the clearly stated provisions, previously agreed to, that "during the period of occupation Germany shall be treated as an economic unit," the Soviet has extracted reparations in her own way by moving factories —along with technicians—into the interior of her own country. Thus the first move will consist of maneuvering the Russians back within the bounds of the agreed-to contract at Potsdam.

As is all-too-clearly getting to be Soviet practice, it is in this instance also going to be necessary to bargain with concessions in order to get the Russians merely to live up to their previous agreement. And in this wise, Moscow can afford to be extremely independent, for her own zone has 62% of Germany's total food supply, thus enabling her actually to remove food out of the country for her own benefit; in contrast to the converse British status of having to support the Germans in their zone, at an annual cost of $300,000,000.

One price that the other three countries of the Big Four may have to pay Russia for living up to her agreement to administer Germany sanely as an overall economic unit, is to permit her to take reparations from current production. This, just as in Italy, would be an extremely costly concession to make, both on principle and materially—as it would represent our feeding sustenance in at one end, with the Russians doing the extracting at the other.

Also because of the real necessity for ideological placidity, the present concurrent quadripartite economic systems must be unified. The United States within its bounds of influence, is pushing capitalistic free enterprise; the British in Germany are pushing their socialist techniques; the Russians are pushing for an all-over Marxist Germany; while French aims have consisted of a varying hodge-podge.

Territorial Problems

Neither did the Potsdam agreement, formulated under changing leadership in both England and the United States, provide definitive solutions in the political sphere. In the first place, despite the idealistic principles so solemnly proclaimed in the Atlantic Charter, and even contravening the "appeasy" Yalta arrangement, the British and Americans at Potsdam acceded to a great, inexcusable grab of territory in Eastern Germany by the Poles and Russians. "Subject to final determination at the Peace Conference," Poland here temporarily "stole" from Germany not only Upper Silesia and East Prussia, but also most of Pomerania, Lower Silesia, and portions of Brandenburg. These sections at the time were occupied by nine million Germans, and produced food supporting one-quarter of Germany's entire population. Additionally, the upper half of East Prussia was taken by Stalin.

Before and since these grabs, American policy, although definite about the Western frontiers, has been vacillating and hazy about the East—an impression which was reinforced by then Secretary Byrnes' speech at Stuttgart. In any event, American reminders that the Russian-Polish annexation was supposed at most to be a temporary arrangement subject to final determination, was aggressively answered by Mr. Molotov last September. He admitted that the new Polish-German frontier represented only a temporary arrangement; but also insisted that the annexations were now *de facto* and could not be undone, because the populations which had meanwhile been expelled, now could not be moved back. *Fait accompli, coup d'etat* technique!

The Nettlesome Status of France

Again the controversial French are with us! France did not sign the Potsdam agreement; hence she is in the advantageously ambiguous status of not being bound thereby, but able to veto any of its provisions. The vacillations of United States and France until recent months resulted in a situation of Russia knowing what they wanted and "making hay while the sun shone"; and France, knowing what they did *not* want, obstructing plans objectionable to them.

The main trouble vis-a-vis not only France, but the entire situation, lies with French intentions toward the Saar. Prompted by vengeance, economic need, and fear (reinforced by her realization of being nationally outnumbered, three-to-two) France is making all plans for insistence on annexing this territory. Already—two months before the Moscow Conference—the French have unilaterally set up a customs barrier separating the district from the rest of Germany, and have made all kinds of particular intra-zone rules, warranting Russian and general criticism for being a major step toward *de facto* annexation. The Saar, contrary to popular impression, is inhabited over 99% by Germans, and the rich coal mines were the property of the German state. These mines are now being efficiently run by French mine managers who conducted them when the territory was under the League of Nations mandate pending the 1935 plebiscite.

German Representation and Responsibility

Not the least of the questions that will have to be settled at Moscow, is the securing of German representatives to sign a final document, particularly if its provisions are as inequitable as now seems indicated. Even apart from the latter factor, it must be remembered that the country has no national government—the German "government" consisting of an agglutinative collection of separate state governments. And for the Allies to rig up a German group to go through the mechanical motions of mechanically affixing their signatures to a document handed to them, would constitute a final additional caricature of democratic procedure!

Hart Smith & Co. Admits Nathan Shaer to Firm

Nathan Shaer has been admitted to partnership in Hart Smith & Co., 52 William Street, New York City. Mr. Shaer has been with the firm for some time in the Canadian securities department.

Paul Jones Mgr. of Van Alstyne in Phila.

PHILADELPHIA, PA. — Van Alstyne, Noel & Co., members of the New York Stock Exchange, announces that Paul Jones, Jr. has been appointed Manager in charge of the firm's Philadelphia office, 1500 Walnut Street.

New York Institute of Finance Spring Term

The New York Institute of Finance, 20 Broad Street, New York City, has announced the curriculum for its Spring Term. The courses offered are:

Accounting Principles I, under Melvin G. Ott, Robert Winthrop & Co. and Samuel P. Lisman, Auditor of the New York State Department of Labor.

Accounting Principles II: Jerome J. Kern.

Business Economics: Louis H. Whitehead, Louis H. Whitehead Co.

Business Finance: Irwin A. Brodsky, Legal Advisor, J. W. Seligman & Co.

Money and Credit: William K. de Veer, Vice-President of First National Associates of Florida, Inc.

Work of the Stock Exchange and Brokerage Office Procedure: John H. Schwieger, Department of Member Firms, New York Stock Exchange; A. P. Morris, Estabrook & Co.; and George W. Elwell, Hicks & Price.

Work of the Order Department: Fred W. Hansen, Pershing & Co.

Advanced Margin Problems: Paul C. Fitzgerald, Hirsch & Co.

Work of the P. & S. Department: Carl Dreyer, D. H. Ellis & Co.

Work of the Cashier's Department: George E. Rieber, Assistant Secretary, District No. 13, National Association of Securities Dealers, Inc.

Accounting Background for Security Analysis: Albert P. Squier.

Security Analysis I and II (two terms): Carl C. Adsit, Blair & Co.; Herman J. Borneman, New York Stock Exchange; Joseph V. Franchini, J. R. Timmins & Co.; Sidney B. Lurie, Paine, Webber, Jackson & Curtis; Charles F. X. McGolrick, Charles Clark & Co.; and Walter S. Morris, Argus Research Corp.

Investment Account Management Stephen M. Jaquith, Investors Counsel, Inc.

Analysis of Public Utility Holding Co. Securities; W. Truslow Hyde, Jr., Josephthal & Co.

Analysis of Railroad Securities: Pierre R. Bretey, Baker, Weeks & Harden.

Current Developments in Utilities: Harold H. Young, Eastman, Dillon & Co.

Current Developments in Selected Industries: Oil, E. L. Kennedy, Lehman Brothers; Steel, Oscar M. Miller, General American Investors Co., Inc.; Aviation, Edmund G. Blackburn, Hornblower & Weeks; Automobile, Malcolm D. Brown, R. W. Pressprich & Co.; Construction, J. M. Galanis, Shields & Co.

Commodity Trading Principles: Victor L. Lea, Standard Brands, Inc.

Correspondence Courses are also offered in "Work of the Stock Exchange and Brokerage Office Procedure" and "Investment and Security Analysis."

Transcripts of lectures by Benjamin Graham on Current Problems in Security Analysis are available at a cost of $7.50 per set (first five lecture transcripts available in January, last five upon completion of the course in March, 1947).

Also available at a cost of $1.00, is a booklet of "Educational Tests for New York Stock Exchange Member Firm Employees."

With Chas. E. Bailey Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Isadore Banks has become associated with Charles E. Bailey & Co., Penobscot Building, members of the Detroit Stock Exchange. In the past, Mr. Banks was with Whitlock, Smith & Co. and George F. W. Reid & Co.

Glasgow—Second City of the Empire

(Continued from page 130)

tages and disadvantages. To many manufacturers the former include labor and good factory buildings at reasonable rentals. The disadvantages are fewer than is sometimes supposed. Indeed, allusions are occasionally made to some which are actually based upon incorrect assumptions. Four misconceptions in particular stand out and should perhaps receive first consideration. It has been said that:

1. Glasgow is a squalid, ugly place;
2. Glasgow workpeople are "difficult";
3. Glasgow has exceptionally bad weather;
4. Glasgow is a long way from the chief centers of distribution.

These beliefs are unjustified.

Glasgow as a Distributing Center

Judged by American standards, Glasgow's distances, from London of 350 miles, from Birmingham of 250 miles, from Manchester of 180 miles, and from Newcastle of 125 miles, seem small. Nevertheless, the separation from, in particular, London's market of eight million people is apparently regarded by some manufacturers as discouraging.

Glasgow has, however, much to offer on its own account. It is not only the marketing center for Scotland, with its population of over five million, but for both North and South Ireland also, and for the northern fringe of England—hence the struggle which went on for many decades between retailers and wholesalers in Glasgow and in Manchester, over which was to be the principal distributing center of the country outside London.

The port of Glasgow is in itself a great asset for manufacturers. It is one of the leading harbors in the world, with shipping facilities to all countries, and it is, incidentally, also much used by coastal vessels. The Clyde Navigation Trustees claim that Glasgow is the cheapest and the most efficiently run of all of the large ports in the country.

Glasgow Workpeople

Less working time is lost in the Glasgow district through industrial disputes than in a good many other parts of the country. For example, during the war years the number of days lost per worker in Scotland through industrial disputes was 1.46, while in Great Britain as a whole it was 1.54.

Although many of the variations in character between the peoples of the various British districts have been "ironed out"—perhaps unfortunately—in recent times, some of the older traditions persist on Clydeside. For instance, Glasgow workers are still perhaps slightly better educated than many other workers (in Scotland the compulsory school leaving age was raised to 14 as long ago as 1883; in England the compulsory age in 1880 was, age 10; 1893, age 11; 1899, age 12; and 1900, age 14): and they are to some extent still imbued with their grandfathers' spirit of craftsmanship. They are cautious, slow to learn new industrial skills, but thorough, outspoken and inclined to be argumentative.

Their independent ways of thinking lead them to respond much better to some kinds of managers than to others—companies establishing factories in Southwest Scotland should give particular thought to choosing the most suitable men from their staffs for serving as managers of their Scottish undertakings—but, under proper administration, they can be led to achieve outstanding results in industry, judged both by the quantity of production and by its quality.

The Tobacco and Textile Industries

Three large factories, all modern in construction, are engaged in the tobacco trade, while there are other survivals from the past such as clay tobacco pipes, most of those used in the world—the export market is still large—being made in Glasgow. Clydeside is not only a center for sugar refining, but is well known for its confectionery, biscuits, cakes, syrup and jam. In recent times it has specialized in some manufactured foodstuffs, including cornflour, coffee essence, custard powder, and canned soups.

The textile industries are still very strongly represented in the district. The Paisley cotton thread mills and the Johnstone linen thread mills are of international importance. The cotton industry weaves large quantities of shirtings—it is often forgotten that household words, like gingham and zephyr, are really Glasgow trade-names — window hollands, muslins and laces. An interesting point is that the export of squares of muslin to the Middle East is still considerable, and that the flowing headdresses of the Sheikhs of Araby actually come from the East-End of Glasgow.

Nowadays, however, Clydeside is perhaps better-known for its woolens. The largest carpet-weaving company in the Empire has its works in Glasgow, and several other firms in the district are also engaged in this section of the industry. In addition to other branches of weaving and spinning—including the distribution of yarns to the public—knitting hosiery has become a major employer of labor. Several firms specialize in making women's outer wear, and one plays a leading part in setting the world's fashions. Associated with the textile industry is garment-making, another large Glasgow industry and one noted for some of its model factory buildings, and dyeing and finishing.

The other source of the diversification of the Clydeside industries has been the requirements of shipbuilding. Ships, once they are at sea, have to be self-contained—that is to say, they have to be fitted out as hotels and, for large modern liners, to provide all of the services available in the finest of hotels. Accordingly, companies had in the past opportunities for supplying all of these things locally. Many of those companies which grew up with the shipbuilding industry did not expand outside its confines, but some did, and so several famous companies, founded to make, for instance, boilers, sanitary equipment, cranes, scientific instruments, and air conditioning plants for ships, have in the passing of time extended their activities over a much wider field.

Apart from these industries and those which have their roots in the past, other industries, not indigenous to Clydeside, have come into being—as in other large towns—and add to the variety of industrial enterprise to be found on Clydeside—for instance, boots, shoes, and, in particular, chrome leather uppers; leather footballs; industrial rubber articles; paints and varnishes; "bright" bolts and nuts; soap; matches; firebricks; aluminum foil; aluminum kitchen utensils; wood pulp containers; medical drugs; pottery; and various chemicals, including explosives.

Roosevelt's New Deal Revealed as Biggest Market Manipulator in History

(Continued from page 127)

In his Diary Mr. Morgenthau confided, "I was a pretty sick boy when this happened. It seemed to me as though I was trying to hold up not only the commodity markets of the world but also the stock market, as everything was sagging."

Firmer measures were necessary. Mr. Morgenthau placed a standing order for all wheat offered, reported the news to Wall Street and the general press services, and kept his fingers crossed.

The news was no sooner on the ticker than wheat began to climb and continued until it closed at 74⅞. When the President heard this, he was elated. "Squeeze the life out of the shorts," he said with fight in his voice, "and put the price up just as far as you can."

Juggling the Gold Price

Mr. Morgenthau goes into a great deal concerning Mr. Roosevelt's conversion to the gold-price juggling theories of "Rubber Dollar" Warren.

Professor Warren argued that farm prices were out of balance because of the change in the value of the gold dollar. In 1933, twice as much farm produce was needed to get the same amount of gold as seven years before. If the price of gold was doubled, so he believed, prices as a whole would also double. Manipulating the price of gold supposedly would give the dollar a more constant value in terms of commodities.

Mr. Morgenthau reveals in detail how he and his chief, immediately after the inauguration, began to experiment with gold manipulation. Then on June 5, 1933, Congress declared "gold clauses" in contracts invalid. The price of gold gradually increased from $20.67 to $29 an ounce.

In August, the President planned to buy newly mined gold at over $29 an ounce, but was handicapped on the eve of his experiment by having as Secretary of the Treasury a sick man. During the banking crisis, William Woodin had worked hard and loyally. But ill-health caused him to drop more and more into the background and the President dared not depend on him. One newspaper writer noted that whenever important matters were under discussion, Woodin, "the genial guitar player," was "conspicuous by his absence." At one of the important meetings on gold buying, Mr. Woodin was represented only by a verse he sent to the President, illustrated by a well-known artist, describing how he had caught cold from Jesse Jones. Before settling down to serious business, the President read a take-off on the poem, also about Jesse Jones, and everybody had a good time except Jones.

Mr. Acheson vs. Mr. Roosevelt

Mr. Morgenthau says that Mr. Roosevelt did what he could to strengthen the Treasury. On the advice of Raymond Moley and Lewis Douglas, Dean Acheson, the present Under-Secretary of State, had been made Under-Secretary in the hope that he would act as "strong man" in the Treasury. Dean Acheson, tall, blue-eyed, with reddish-curly hair, and a waxed mustache, was just forty when he became Under-Secretary. He came from a wealthy Connecticut family. In his youth he had served as private secretary to Supreme Court Justice Brandeis. He entered politics because he felt it his responsibility to be of useful public service.

Dean G. Acheson

Mr. Morgenthau reports that Mr. Roosevelt was to rue his appointment of Acheson. For though the new Under-Secretary swung into his job with as much efficiency as could have been desired, he was firmly opposed to gold buying.

The President is represented as having relied more and more on Mr. Morgenthau. They were old friends. They had met over a rail fence in Duchess County a decade before. Morgenthau had campaigned with Roosevelt in New York State and had worked with him in Albany. In Washington, he was carrying out successfully the grain-buying program, which had at least a surface resemblance to the President's plans for gold. Roosevelt was surrounded by people who, he knew, opposed his policy. He asked Morgenthau to see that the Treasury followed out his instructions on gold.

Under-Secretary Acheson, who headed the Treasury during Woodin's sickness, quickly came into conflict with Morgenthau. He argued that the whole gold business was illegal. Morgenthau was adamant. Together they went to see the President. Acheson again raised the question of legality.

Morgenthau tartly suggested that all the lawyers who had ideas on the subject be locked in a room together until they came to a decision.

"That's fine," Mr. Roosevelt laughed, "let them go to the Attorney General's office and do it." The lawyers were not confined very long before they decided that the government was legally empowered to buy gold through the Reconstruction Finance Corporation.

Mr. Morgenthau agrees that Acheson's position showed a good deal of personal integrity, but stood in the way of the President's program. On one occasion Mr. Roosevelt spoke to Morgenthau just before an RFC meeting on gold purchases. Acheson came in to the meeting late and obviously furious. "I am opposed to our buying gold," he announced. "The President has ordered me to do it. I will carry out his orders."

Speed Embarrassing

The speed with which the Board approved the resolution was embarrassing to Morgenthau. The questions raised by the RFC members after the resolutions had been passed made it clear that they hadn't the slightest idea what the whole thing was about. Acheson at least understood the President's plans. These men simply lacked the courage to go against the President.

On Sunday, October 22, the President in his fourth "fireside chat" informed the country of his intention to buy newly-mined gold in the United States at prices set by himself and his advisers. And, "whenever necessary," he added, "we shall also buy and sell gold in the world market."

A Hectic Period

It was the beginning of a hectic period. Mr. Morgenthau camped in the Cabinet room, had a telephone installed and kept track of gold purchases for the President. Mr. Roosevelt was in a grand humor. "I have had the shackles on my hands for months now," he said, "and I feel for the first time as though I had thrown them off."

Gold Price Fixed at Breakfast-in-Bed

Beginning on Oct. 25, the President conferred with Morgenthau and Jesse Jones each morning to set the price of gold for the day. They met in the President's bedroom. Mr. Roosevelt sat on his narrow, white bed with its thin hard mattress. Next to him was a small white bathroom-type table on which he kept aspirin, pencil, memo notes, cigarettes, his watch, and a couple of telephones. While the President breakfasted, usually on his favorite of scrambled eggs, the trio discussed the gold market reports from abroad. That first day gold was selling at $31.02 in London and $31.09 in Paris. The United States wanted to keep its price slightly above the world market. Mr. Morgenthau suggested $31.36 for the first day's price, 27c above the Paris rate, and $1.56 over the first day's previous American price. "All right," said the President, "we will make it $31.36."

Jesse H. Jones

Every morning after that, Morgenthau and Jones met with President Roosevelt to determine the price of gold for the day. The important thing was to keep the trend gradually upward, hoping that commodity prices would follow.

A "Lucky Number" Price

The actual price on any given day made little difference. The amounts settled on were generally arbitrary. One day, for instance, the bedside conference decided on a rise of 21c; "It's a lucky number," the President remarked, "because it's three times seven." Mr. Morgenthau commented, "If anybody ever knew how we really set the gold price through a combination of lucky numbers, etc., I think they would really be frightened."

As the price of gold in the United States rose above the world price, Mr. Morgenthau told the President it was foolish to go much further unless he began foreign exchange operations. Since this was a job that required technical skill, Governor George Harrison of the Federal Reserve Bank was put in charge. Harrison agreed, provided he had full authority. There was to be no interference; if the President didn't like the way he handled it, he would resign.

Harrison was anxious first to consult the English and the French. The President was less anxious. "Everytime we have taken the English into our confidence," he protested, "they have given us a trimming." But Harrison was handling the job, and he had his way.

FDR Roars at "Pink Whiskers" Norman

As it turned out, the President enjoyed himself tremendously while Harrison notified foreign officials. The French nearly jumped out of their skins when they heard the news. But the most startled reaction came when Harrison telephoned Governor Montague Norman of the Bank of England—"old pink whiskers," the President called him. "This is the most terrible thing that has happened," Norman wailed across the ocean. "The whole world will be put into bankruptcy." While Harrison tried to reassure Norman, Mr. Roosevelt and Morgenthau looked at each other, picturing foreign bankers with every one of their hairs standing on end with horror. Morgenthau began to laugh. The President roared.

During the gold-buying campaign the President had been constantly handicapped by Dean Acheson's opposition. Woodin's prolonged illness made it likely that he might never return, and policy remained in Acheson's hands.

The President did nothing for a while. A few days later he spoke stirringly to his advisors of the need for 10c cotton, 50c corn, and 90c wheat by the first of the year. The gold-buying campaign, he said, was achieving this. He emphasized that it was an Administration policy. "We are all in the same boat," he warned. "If anybody does not like the boat, he can get out."

"Acheson a Light-Weight"—FDR

Acheson hardly opened his mouth throughout the meeting. During most of this period he continued to follow his course of obeying the President's direct orders, while making it clear that he disapproved of the policy. Morgenthau agreed that Acheson was a man of great courage, but that he infuriated Roosevelt to the point where the President remarked that what he needed in the Treasury was a "heavyweight" while Acheson was only a "light-weight."

Mr. Morgenthau asserted that Mr. Acheson himself knew nothing about his resignation until reporters informed him thereof, and of the announcement that the new Acting Secretary would be Henry Morgenthau, Jr.

With Morgenthau in the Treasury, Roosevelt felt free to continue the program. On Jan. 30, 1934, the Gold Reserve Bill was enacted which fixed the President's power to devalue the dollar and set the level between 50 and 60%. By proclamation, the following day, Mr. Roosevelt fixed the gold content at 15 5/21 grains nine-tenths fine, a reduction to about 59.6%. This was equivalent to gold at $35 an ounce, the price at which it was stabilized.

Grain and Gold Programs Difficult to Appraise

Mr. Morgenthau held that the effect of the grain and the gold programs was difficult to determine. For along with these policies there were the crop-curtailment program; the NRA; a public works program; and other inflationary measures. Prices did go up, even if somewhat more slowly than gold, and Mr. Roosevelt accomplished, at least in part, his aim of giving the producer a better break. But it is impossible to isolate and disentangle the contribution of gold and grain-buying from the intricate complex of inflationary measures.

Despite all the past memoirs of the country's former Presidents and government officials—great and small—probably no man ever came out of Washington with such a *Diary* as Henry Morgenthau, Jr. Nearly 900 volumes, all together running over a quarter of a million pages, comprise a record of his 12 years in the Treasury.

Telephone conversations were transcribed with the help of a recorder.

Warner Branch In Washington, D. C.

WASHINGTON, D. C.—J. Arthur Warner & Co., Inc. announces the opening of a branch office at 1420 New York Avenue, N. W., Washington, D.C., under the management of Phil J. K. Reily. Also associated in the Washington office will be Guy Campbell, Patrick C. Cronin, Earl McQueen, James C. Patterson, E. D. Sampson, G. L. Sampson and Abbott Ware.

Werle Nominated for Chairman of Board Of NY Curb Exchange

Edward C. Werle, Johnson & Wood, Vice-Chairman of the Board of Governors of the New York Curb Exchange for the past year, has been nominated to the Chairmanship of the board for the ensuing year.

The nomination of Mr. Werle, together with the remainder of the slate proposed by the nominating committee for offices to be filled at the annual election of the Exchange on Feb. 10, 1947, was made public by Edwin Posner, Andrews, Posner & Rothschild, Chairman of the board. The nominating committee was headed by Milton E. Reiner.

Mr. Werle will succeed Mr. Posner, who has served as President pro tem as well as Chairman of the Curb Exchange for the past two years. Mr. Posner becomes a Class A Governor for a term of three years.

As announced at the year-end, Francis Adams Truslow, New York attorney, will take office as paid President of the Exchange on March 1, succeeding Mr. Posner, whose term expires on Feb. 9, 1947. During the short interim between the two dates, Mr. Werle will serve as President pro tem.

A member of the Curb Exchange since July, 1940, and a Governor for the past three years, Mr. Werle has been continuously active in the affairs of the Exchange. He is currently chairman of the general committee on transactions and the stock transactions committee and a member of the executive, finance and arbitration committees. He is also a director of the New York Curb Exchange Realty Associates, Inc.

Mr. Werle began his career in Wall Street in 1919 as a page boy on the floor of the New York Stock Exchange. He quickly became an order clerk for the stock exchange firm of Wade, Templeton & Co., then worked for two years for Morin S. Hare & Co., and in 1923 joined the employ of Johnson & Wood. In 1928, Mr. Werle was appointed salaried market employee for Aymar Johnson, of Johnson & Wood, and in that capacity represented the firm on the floor of the New York Curb Exchange until, in 1940, he acquired his membership on the Curb and became a partner of the firm.

The nominating committee's slate presented to the exchange membership also names Edward J. Bowler, of Wm. P. Hoffman & Co.; Carl F. Cushing, of W. E. Burnet & Co.; James R. Dyer, of Dates & Dyer, and Morton Wohlgemuth, of Ernst & Co., to three-year terms as Class A Governors of the Exchange. Mr. Bowler will be a new member of the board. Mr. Cushing was named in 1946 to fill the unexpired term of Edward J. Shean as a board member. Mr. Dyer and Mr. Wohlgemuth are current governors.

Franklyn B. Boutelle, of Burton, Cluett & Dana; Edward J. Cohan, of Pershing & Co.; Benjamin H. Van Keegan, of Frank C. Masterson & Co., and Claude F. Leaman, of Hemphill, Noyes & Co. have been nominated for election as Class B Governors of the Curb Exchange for a three-year period.

E. R. McCormick of the firm of J. Streicher & Co. has received the nomination for a three-year term as a trustee of the Gratuity Fund of the Curb Exchange.

In addition to Mr. Reiner, members of the nominating committee included Fred G. Gurke, William H. Hassinger, C. V. Quayle, Benjamin H. Armstrong, O. Viking Hedberg, and William S. Wilson.

Unionism—Enemy of Labor!

(Continued from page 125)

the charge is predicated on economic laws and not upon any criminal code.

In years gone by, unions had many things to fight for. When members struck, they often struck against bad sanitary conditions, long hours or dangerous working conditions.

The "wobblies" of the West Coast led a battle for better conditions in the logging camps of the Pacific Northwest. They struck against weevily food, "crummy" bunk houses, the dawn-to-dark working day. They won; and others who followed a less violent line ultimately won genuine comfort and healthful surroundings for the rugged individualists who labored in this rugged industry.

It was inevitable that the cause of the logger, the "timberbeast" of the Pacific Northwest camps, should be espoused by the people who made the laws of Washington, Oregon and Idaho. Working conditions, hours of labor, safety precautions, health measures, became matters of law and were removed from the category of labor-management dispute.

Reforms Followed Public Opinion

Not all the reforms for the benefit of workers have come about because of labor-union activity. Many have, of course, but the end result has been the same. Ultimately, existent evils have been corrected by laws passed under the pressure of public opinion. The objectives for which unions might once have fought are no longer subject to controversy. Laws that prohibit child labor, limit hours, give benefits for injuries, social security, unemployment insurance, health and safety measures are administered and enforced by either state or Federal governments for the benefit of all.

What functions remain to the unions?

Under present conditions, the unions can give their members a certain element of job security—protection against capricious and unjustified discharges. But their main function today is to give their members more wages. Their efforts in this direction may take many different forms. They may involve demands for more vacation with pay, more holidays, "featherbedding" or other forms of made "work" or a special sick fund contribution. But the end sought is always the same—more money for the same work.

The successful union leader may negotiate a contract for the milk wagon drivers that increases their pay by 15%. John L. Lewis may obtain an increase for the miners. The Railroad Brotherhoods may get a quick settlement for a higher wage demand on the threat of a transportation tieup. But no matter how successful these unions are, they cannot increase the **real wage** of labor as a whole. The increases they obtain are **decreases** for the rest of us. Their increases are passed on to all of us in the form of higher prices.

Wages and prices in the United States are based on an economy of competition—except, of course, in times of national emergency. In all those segments of the economy where competition is working effectively, prices for commodities or services are as low as possible, because price is one of the major stimulants to mass acceptance and mass distribution.

If the unions in a competitive industry succeed in forcing an increase in pay, the price of that industry's products must rise in order to maintain the balance between production and distribution costs and the fair profit that keeps the industry going.

This rise is passed on to the purchasing public. This public consists not only of the members of the benefited union, but also members of other and smaller unions, working people who belong to no organized group, as well as small business men, state and civic employees and even the non-earning groups, including pensioners and institutionalized persons.

The Injury to Labor as a Whole

In other words, the successful union's membership has benefited at the expense of labor as a whole.

Even in industries where competition is not effective because of patent ownership, monopoly, collusion or restrictive agreements, and wherein the power of a union has forced an increase in wages, the result on the balance of labor will be the same. The monopoly will pass on the wage increase to price, the price will be paid by the public and once again, a small organized group will have benefited at the expense of the whole.

A recent survey published in the "United States News" set forth these facts graphically. The survey compared the "real earnings" of five groups of working people in 1939 with their projected real earnings in 1946. It chose for comparison the well organized and politically powerful farmers, the highly organized and "politically potent" auto workers, the loosely organized and unorganized retail workers, the factionally organized and unorganized school teachers and the unorganized group in the higher wage class known as junior executives.

According to this tabulation, the farmers' real wage is up $897 from 1939, the auto workers' up $226. The retail workers' real earnings are down $80; the school teachers' reduced by $166 and the junior executives' salaries are worth $1,406 less than five years ago.

Why, then, don't the groups on the losing end of this deal organize and press demands that will keep their real wage in the same relative position? This is the natural question to ask. But it doesn't represent the solution.

Highly Organized Groups in Preferred Position

The highly organized groups are in strategic position. They operate in "key" industries—steel, coal, transportation. The millions engaged in personal service businesses, domestic service, salesmen and employees of government are among large groups of "working people" who probably could not form powerful unions.

Moreover, the big unions probably would never let the new unions "catch up" to them, for success in other fields would have the effect of leveling off the real wage of their membership.

The muscles of the big unions have grown large and powerful. How they came to grow—whether they were developed as protection against the exploitation by management—is beside the point. It remains that **now** the powerful unions are using their muscles for the exploitation of our economy. As unions come to the full realization of their power, this exploitation is bound to increase.

The power we have placed—with the help and sanction of the government—in the hands of the big unions, can only lead to steady inflation over the course of the years.

There is no reason why these unions cannot demand—and get—a wage increase every year as their contracts expire. The only real control lies in public opinion. As long as the unions' demands are "reasonable"—as long as they don't bite through the shell of public apathy and produce a scream of general indignation—the chances are they'll get their wage increases, every year!

Thus, if the coal miners demand a modest 10% increase at any one time, it does not appear to be exorbitant to the public mind. It means only a few cents added to the price of a ton of coal. That is nothing to the coal-burning citizen compared to the chaos of no coal at all.

One of the reasons for the higher plane of living in America lies in the fact that the nation's purchasing power is largely in the hands of the consumers. At the present time, it is estimated that wages, salaries and pensions represent about 80% of the national income. The other 20% is represented by interest, dividends, rents and entrepreneurial earnings. In some countries, in which labor is heavily exploited, wages, salaries and pensions represent as little as 45% of the national income.

It is impossible for wages, salaries and pensions to represent the whole of national income and it is doubtful that the percentage received by employees can run much in excess of 80%. Only two influences appear able to increase this figure—or even maintain it at its present high level.

One is the continuation of low interest rates which will keep the factors of dividends, interest and rents low in relation to the total income. The second is to perfect further our competitive conditions so that savings in costs are passed on to the consumers in the form of lower prices and not accumulated as additional profits.

Wages, salaries and pensions may remain high in relation to the total income, but as long as unions retain their monopolistic power and influence over our economy, the distribution of this portion of the national income will be discriminatory and inequitable—unfair to labor as a whole!

Union Successes Aggravate Maldistribution of Income

For union successes in getting higher wages would not affect the total paid to employees. It would only affect the distribution of that income. The powerful unions have little to fear from steady inflation. Through their power, their control over essential services and manufactures, they can always increase their income in advance of the rise in the cost of living.

By the time increased prices have reflected themselves in a rise for the majority of the people who work, the unions are ready with another demand that will get them a larger share of the pie at the expense of the balance of labor.

Remedies

The obvious cures for these inequalities are:

1. the elimination of the pressure exploitation by well organized unions.
2. the establishment of a wage policy that would apply to **all** people who work.

There is now in existence the potential machinery for the establishment of a consistent wage policy. The Wages and Hours Law sets a minimum wage of 40 cents an hour for employees in any business engaged in interstate commerce. This is, of course, an unrealistic figure because of the increase in the cost of living that occurred since the law's passage.

The amendment of this law that would establish the minimum wage as the present going wage for unskilled common labor would establish a basis on which to predicate a schedule of returns for skilled and other classifications of work.

More than the groundwork for such a formula has already been laid. Industry and commercial enterprises have conducted elaborate studies in order to evaluate the jobs within their own organizations. Wage rates are stepped up in accordance with responsibility, arduousness or skills. Many factors are taken into consideration in evaluating the wage for each type of job. But all have a common starting point—the wage of common unskilled labor.

Applied to the national work picture, there might be a different base wage for different areas, but the relationship between unskilled and the various grades of skilled would remain roughly the same and area differences in the minimum wage could be gradually eliminated by law.

Now, if the pressure of certain organized groups is removed, the wage rates for skilled groups would seek levels dictated by supply and demand. If there were a shortage of carpenters that raised the carpenter's wage to two-and-one-half times the rate for common labor, more people would train to become carpenters. Ultimately, the supply of carpenters would meet the demand and the relationship between the common laborer's wage and the carpenter's wage would reach its normal level.

If carpenters' wages dropped because of a surplus of carpenters, the cost of carpentering would be reflected in lowered prices which would mean an increase in the **real wage** of everyone else. This, of course, is possible only where true competition exists.

This competitive condition does not yet exist in the United States. Goods are still too scarce to create a buyers' market. But the time is not far distant when production will have caught up to demand and true competition will again be the controlling factor in the distribution of manufactured goods, produce and service.

Increased Productivity Means an Increased Real Wage

We have increased the per worker productivity an average of 3% a year for the last 40 years. If we can continue to increase our productivity per worker through new methods and new machines by an average of 3% per year, this would mean, roughly, a decrease of 3% per year in the cost of living, which is equivalent to a 3% increase in the real wage—in other words, in terms of what people can buy.

In many industries, particularly old and long-established ones, the increase in productivity per worker might be negligible from year to year. In other industries, particularly younger ones where the arts of manufacture have not been completely explored, the increase in productivity will be considerably more than 3%. Under a determined wage policy and with competitive conditions prevailing, this increase in efficiency will be for the benefit of all in the form of lower prices.

A Universally Applied Wage Policy

The combination of an equitable wage policy that applies to all men and women who work for a living with maximum competition, marks the route toward economic stability and continued progress.

We can live in better homes if we don't have to pay tribute to the building trades unions; we can afford better cars if we don't have to pay tribute to auto workers' unions and we could afford more of almost everything if the railroad unions did not exact from us their tribute in the form of higher freight rates.

An intelligent wage policy is a matter of administration well within the powers of American execution. The achievement of maximum competition requires some vigilance. We must maintain an alert and conscientious surveillance over monopolistic tendencies; the anti-trust statutes must be vigorously upheld and applied. The patent laws, too, must be liberalized. They now form the basis for dangerous practices which create monopolies and therefore the tendency toward over-value prices.

But, while these policies become established, our economy must be relieved of the pressure from highly organized groups. These groups have developed high skill in the tactics of labor politics. If their power is maintained or increased, it will bring continued inflation of the price level through the exploitation that brands unionism "Unfair to Labor."

Offering of $8,500,000 Bonds of Sydney, Aus.

A nationwide group of underwriters headed by Kidder, Peabody & Co. offered to the public on Dec. 30 a new issue of $8,500,000 principal amount of The Sydney County Council (Commonwealth of Australia) 3½% ten-year sinking fund bonds, due Jan. 1, 1957. The bonds are priced at 101% and accrued interest. Payment for the bonds may be made either in cash or in City of Sydney 5½% bonds of 1955 at a price of 102.468%. The offering represents the first financing by a political subdivision of the Commonwealth of Australia to be undertaken in the American investment market since before the war. Proceeds from the sale of the securities will be used to redeem on Feb. 1, 1947, the $8,170,000 City of Sydney 5½% bonds of 1955 at par and accrued interest. The new 3½% bonds are redeemable at the regular redemption price of 103½%, if redeemed on or before Dec. 31, 1947, and at decreasing prices in each successive year thereafter. They are also redeemable for the sinking fund at 101 prior to Jan. 1, 1948, and at declining percentages thereafter.

The Council's funded debt less sinking fund and special fund investments amounted to £A11,796,000 (Australian pounds) in 1936 and was £A10,168,000 Sept. 30, 1946. Kilowatt hour sales for the year 1936 were 461,301,000 and for the year ended Sept. 30, 1946 were 936,577,000. Gross revenues for the 12 months ended Sept. 30, 1946, were approximately £A4,457,000 the highest for any year in the Council history. The electric operations of the Council have been self-sustaining; however, along with other political subdivisions, the Council has the power to levy taxes on the improved and unimproved capital value of land within the Sydney County District.

The Sydney County Council plans to make application to list the new bonds on the New York Stock Exchange. Associated with Kidder, Peabody & Co. in the offering are: Harriman Ripley & Co., Inc.; Lazard Freres & Co.; White, Weld & Co.; Dominion Securities Corp.; Equitable Securities Corp., and Hayden, Stone & Co.

Peters, Writer Admits Sweet as Firm Member

DENVER, COLO.—Peters, Writer & Christensen, Inc., U. S. National Bank Building, announce that William E. Sweet, Jr., has been taken into the membership of their firm.

N. Leonard Cohen Incorporated

INDIANAPOLIS, IND.—N. Leonard Cohen & Co., 8 East Market Street, is now doing business as a corporation. Officers are N. Leonard Cohen, President; Raymond N. Parker, Vice-President; Chester A. Parrish, Treasurer; and Irwin G. Cohen, Secretary.

Mr. N. L. Cohen was proprietor of the predecessor firm, with which Mr. Parrish was associated. Mr. Parker was with F. S. Moseley & Co.

Many Conflicting Tendencies in the New Year

(Continued from page 134)
in nearly all phases of economic activity.

Somewhat higher prices account for much of the increase over a year ago in some lines; they account for all of it as the price level has been steadily rising. Retail sales have increased even more than have retail prices. In some lines, however, they have not yet taken all the goods that were produced while in others demand is still ahead of supply. The relationships between demand and supply are changing rapidly in an increasing number of fields and in many lines competition among sellers is becoming keener. The change from a sellers' market to a buyers' one will be a most significant development throughout much of this year and such a change is likely to come suddenly. It will take place in different lines at different times, and require extensive readjustments in production, distribution and prices.

Labor-Management Relations Significant

Relations between labor and management will again constitute one of the major uncertainties during the next few months. Current indicators point to a repetition of last year in many industries with the possibility of either extensive work stoppages or sharp changes in wage rates and costs. Possibly both will take place and thus tend to hold down both production and business volume. Until the terms on which wage settlements in major industries are known, business planning will be handicapped and no close appraisal of future trends in any line can be made.

The effects of work stoppages are, of course, to delay the production of needed goods and even when these interruptions take place in smaller industries they may result in shortages of essential items and thus create bottlenecks. Large quantities of goods have been held up and production in many lines handicapped due to those causes during the last year. The total effects of any interruption cannot be measured by the number of man-hours lost by those directly involved. They also involve critical shortages elsewhere.

Accompanying many wage settlements have been provisions for higher prices and in nearly every line prices of the finished products have gone up to compensate for much of the higher costs. In some cases increased productivity has kept the price rises from going too high, but in others efficiency has been low, due not only to restlessness but also to material shortages.

If last year's changes are repeated this year the result will be further distortions among wage rates, costs, and prices. While these maladjustments may be covered up temporarily as they were last year by passing the costs on to the consumers, the higher prices are likely to meet more consumer resistance. The danger of boosting prices beyond the ability or willingness of the market is far more acute than it has been during the last 12 months. Many of the increases in wage rates now being considered are among those who are already among the highest paid ones and the products which these workers make must find a market among those whose incomes have risen much less. This situation results in further distortion and lack of balance between the purchasing power of different groups and prices. The interests of all labor will be promoted best by maintaining balance, continued production, and the right relationships which will enable goods to be exchanged at prices within the ability of the largest number of people to buy.

Constructive leadership by labor leaders, businessmen, and government officials will be needed during the coming months to keep business activity high. Much of the problem will be to avoid having monopolies which can force decisions regardless of the economic merits of those decisions and to restore more nearly even balance of power among competing groups. In most fields the free play of competition will establish better results than will the unrestrained force of any one group.

Government Policies More Favorable

Government touches business at so many points that its policies must be taken into account by the businessman when he is planning for the future. These policies include not only expenditures by governmental agencies but also many forms of regulation and control. Although in time adjustment can be made to almost any kind of regulation, any indications that changes are likely will be especially disturbing unless those changes work definitely in the direction of helping business to increase production and employment.

Throughout the last year the majority of the war regulations have been removed and business is becoming more nearly free than at any time in many years. Prices are coming to represent the results of competition among buyers and sellers rather than the amount specified by a government agency. Although price control did accomplish much to prevent extreme price rises that have been associated with other wars and during the early postwar period, they also tended to restrict production. Consumers were at least partly protected from higher prices but they were also deprived of goods which would have been turned out if producers could have received enough to cover their higher costs. The attempt to keep prices at relatively low levels when most items of cost were going higher did result in fewer goods being available. In the long run the inflationary pressures became steadily stronger and harder to control until now a large percentage have been freed. The best objective is to get the largest amount of goods on the market, and the trend for some time has been in that direction.

The rates and kinds of taxes greatly affect business and the prospects of tax changes will be closely watched during the coming months. Taxes change the distribution of current income and thus may modify the amount of purchasing power for different types of goods. Taxes must be considered by business as part of the cost of operation and when they are so high that they cannot be met out of the amounts received through the sale of goods, business activity and employment must be curtailed. Sometimes lower taxes and reduced cost of doing business may so greatly stimulate business volume, that total governmental revenues may be increased rather than reduced. On the other hand, taxes must be large enough to finance the huge national debt and to meet the large volume of expenditures that is still being maintained.

If the right balance between opposing considerations can be established in tax policy as well as in other phases of government policies, the future outlook for production and employment will be favorable. Current prospects are that somewhat better decisions will be made than have been at many times in the past few years. Artificial restrictions are rapidly being removed and when consumers have greater freedom to buy what they want at prices they are willing to pay, the production of those goods will be greatly stimulated. The experience of recent years with outside controls has provided a basic but costly education in economics and the fundamentals needed in order to have a productive economic system. That education will continue and may be one of the outstanding achievements of the coming year. As a result of it conditions and policies may be more sound in the future.

Consumer Attitudes Uncertain

Another type of major uncertainty in business planning is that of consumer attitudes and consumer ability to buy. For several years consumers received more than they were spending and savings mounted to new peaks. Savings, which are really claims that may be made against production, are still high, although the expansion last year was the smallest in many years. Among many groups spending was greater than income and that fact accounts for a part of the extremely high level of retail sales.

An excellent indicator of this situation is the amount of consumer debt outstanding. It has been rising rapidly, in fact, twice as rapidly as ever before. If the current trend continues for a few months longer, consumers will be more deeply in debt than at any previous time. Expanding debt is stimulating for a time but when the amount becomes so large that a considerable portion of current income must be used to pay off past indebtedness and to meet interest charges, the debt becomes an obstacle to the purchase of new goods. Although consumer debts are large and increasing, they are not yet out of line with current sales. They still represent a smaller percentage than normal although the trend is one which needs to be watched carefully as one indicator of future buying.

In addition to the amount of purchasing power in the hands of consumers is the attitude which consumers have toward current prices and their viewpoint as to future incomes. So far that attitude has been favorable for greater buying but whether or not it will continue to be for another year is one of the important uncertainties to be faced. Will people continue to spend their savings, a larger percentage of their current incomes, and then go into debt in order to get the goods they want as they have been doing? The desire is undoubtedly still very great for automobiles, refrigerators, radios, electrical appliances of all kinds, houses and other types of consumer durable goods, just as soon as these goods are available. Will the purchase of these articles represent additional buying on top of present purchasing or will consumers cut down their buying of other items in order to buy the new lines coming on the market in increasing volume? Shifts among different lines may be extremely significant during the coming year and just as important to watch as is the total volume of buying.

On the other hand, people may be more cautious and, remembering their difficulties during the years of unemployment and dull business, hold on to their savings as well as a substantial percentage of their current incomes. If production and business activity decline somewhat as they usually do during the second postwar year, people may hesitate to make purchases and thus tend to reduce business still further. Such a change could come very suddenly as it did in 1920 when production and prices declined sharply for a few months. After the temporary lull, however, business again expanded and the long period of prosperity followed. Recognition of the possibility that consumer attitudes may change for a time should be a part of any planning for the future. Considerations of public psychology can well be given more than usual weight under present conditions, and consitute another of the significant uncertainties for the next few months.

Inventories Are Rising

Inventory trends indicate about what is taking place. The amounts of goods on hand by manufacturers, wholesalers, and retailers have continued to rise steadily and they are now higher than they have ever been before. Part of the production this year has been used to fill the pipelines or distribution channels up more nearly in line with the high volume of sales. A substantial part of the inventory among manufacturers is in partly finished goods which need only a few additional parts for completion. That aspect of the inventory rise will be quickly remedied just as soon as some of the current bottlenecks are eliminated. Unbalanced inventory is quite as much a factor now as is the size of total inventories.

Although the amounts of goods on hand are still low in comparison with sales, within a few months, if present trends continue, they will not only be far above any previous peak but also above the normal relationship to current demand. Any decline in sales would make that point come even sooner. The end of an inventory boom is a readjustment and at least a temporary recession until some of the excesses are liquidated. The readjustment need not be serious, however, nor need it be long continued provided it is made promptly with such changes in prices as will move the goods most speedily. A recession of from 20 to 30% in both production and prices would not be unexpected during that readjustment.

The rise in commercial loans in the banks is another indication of the current situation as many of these loans are used to carry inventory or to finance consumer credit either directly or indirectly. Bank loans for commercial, industrial, and agricultural purposes made by the member banks of the Federal Reserve System have risen about 40% during the last year and are at a new peak. For several weeks the rate of increase has been accelerating. It is not yet out of line with sales or other aspects of the economic system, but the total debt structure, both by business and by consumers, is being expanded steadily. Unless the current trend is halted before it goes to extremes, later extensive readjustments may be necessary.

Constructive Factors Also Significant

Economic trends are the result of conflicting tendencies and an appraisal of all of them is needed to estimate what is likely to take place in the future. Some of the tendencies boost business while others retard it and the outcome of this tug-of-war is either prosperity or depression.

Consumer purchasing power, both actual in the form of current income and potential in the form of savings, is the strongest force making for increased business activity. It exerts pressure on prices and on production for it provides the market for the goods which factories are turning out. It is also the result of business activity and a consideration of the causes of income in the hands of consumers is as important as are the effects of it on sales.

Total income payments to individuals have continued to rise and have reached a peak of over $14,760,000,000 monthly. That figure is 6% higher than it was a year ago and two and one-half times the prewar level. Even in relation to current prices it is much higher. Incomes have risen more than factory production and should provide a market for all the goods that can be turned out, as output of goods is only 75% higher. Rising prices offset some of this difference but not nearly all of it.

The effect of these large incomes and savings has been evident in sales not only in retail stores but also in all other forms of buying. The constructive forces making for high volume of production and employment are still strong and for some time to come may more than offset the unfavorable trends. The stimulating influences may overcome the handicaps of rising prices and costs. This brief summary of the conflicting forces now at work provides a useful guide for evaluating current trends in general business and in making an estimate for the future.

Outlook in Leading Industries

Variations among different industries have been unusually great during the last year but they are becoming less. As the normal forces of competition are allowed to operate more freely, even greater uniformity may be achieved, although at all times different industries change at somewhat different rates of expansion or recession.

The steel industry has been producing at close to 90% of capacity for many months and turning out close to 7,000,000 tons of steel each month. It has recovered rapidly from the slump to about 60% last month during the coal shortage. Current indications are that demand for steel from domestic and foreign buyers will be sufficient to maintain very high levels of output throughout much of the year. Work stoppages due to management-labor difficulties would, of course, reverse that trend and result in lowered output throughout all industry as stocks of finished steel on hand are not large.

The building industry made rapid strides during most of the year in spite of shortages of all kinds. Building contracts awarded have declined in recent weeks, but they are still almost double those of the corresponding period of the previous year. Total construction of all kinds during 1946 was estimated to total close to $10,000,000,000. A large part of it was residential building although large amounts of other types of construction were also put up. Almost 1,000,000 new homes were started, but not over 650,000 were completed.

Production has been increasing in such lines as textiles and printing as well as in most consumer nondurable goods industries. Output this year will exceed that of last year and supplies are coming more nearly in line with demand.

The automobile industry has fallen far short of the goal which was set for 1946. Output recently, however, has been very close to 100,000 passenger cars and trucks weekly. Total output for the year was slightly over 2,000,000 passenger cars and 1,000,000 trucks. Unless the industry is handicapped by material shortages and interruptions in operations, the output of passenger cars may double this year.

Production of coal, except for the periods when the mines were closed, has been running over 12,000,000 tons weekly. Total output for the year, however, was about 50,000,000 tons less than in the preceding year and considerably below demand. Future trends will depend upon the settlement of labor difficulties as all that can be mined will be needed.

Trends are somewhat similar in most lines, with only a few signs of a significant falling off in demand. Expansion has continued much longer than usual, however, and some readjustments may be expected during the second peacetime year.

With City Securities Corp.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—John A. Partenheimer is now with City Securities Corporation, Circle Tower.

Trading in U. S. Bonds

(Continued from page 135)

Government Bond Dealers' Functions

Dealers translate the supply and demand for such securities into bid and asked prices, thereby making and representing the market. Perhaps 90% of our business comes from banks, insurance companies, stock exchange houses, and similar institutions. The bond sold by an individual or corporation to a bank, stock broker, or general bond dealer will eventually be sold in turn to a government bond dealer. The same chain in reverse applies to a purchase. As underwriters, government bond dealers only subscribe to new issues as do any other investors, except that larger subscriptions are allowed if distributional ability is considered good. Although, in the form of middlemen, we represent the market, we differ from other bond and stock dealers and brokers in that we charge no commission and have no organized exchange. In fact, all the dealers' head offices are not even located in New York, and the different houses may be quoting different markets for the same issues at the same time. The reason for this difference I shall explain later—the justification is open to doubt. We may best be described as traders, whose only regulations are imposed indirectly by the Open Market Committee of the Federal Reserve System. The real market is regulated by the law of supply and demand; and extreme competition. Government bond dealers concentrate on specializing within a specialty. If we can place bonds for sale by an Eastern insurance company in the portfolio of a Western bank who wants those bonds, we have performed a real service; have seen the degree of supply and demand which will enable us to make the market for these bonds, and we expect a small profit for ourselves.

Possibly a government bond dealer's economic function could better be described by following a typical transaction through from start to finish. We will assume for the sake of example that the dealer is a house doing business on a national scale with branch offices located in various cities and a wire system connecting all offices to enable the fastest possible communication. I might digress long enough to remark that the selection of cities in which the branch offices are to be located has an element of humor based upon civic rights. Investors in some cities feel that they are just as big or important as those on Wall Street, and therefore prefer doing their business direct with a dealer's head office, rather than with that dealer's branch office. The same pride in other cities prompts the investor to favor that dealer who takes enough interest in the investor's business to establish a branch office in the investor's home town. In most cases experience shows that an investor cannot be expected to seek service by contacting a dealer's branch office located west of the general vicinity of the investor's city.

Each of the dealer's offices is staffed with "salesmen." That title is actually a misnomer, unless its meaning is strictly limited to that of selling ideas. But even then the definition is inadequate when compared to the salesman who sells the idea of a purchase of something and receives a commission for his ability based upon the resulting profit. A government bond salesman may sell the idea of a sale rather than a purchase and, speaking for our company, receives a salary instead of a commission for the reason that it is virtually impossible to calculate the profit resulting from any single purchase or sale of a bond, and because it is extremely difficult to consider the customer's best interest objectively when approaching him under the lure of a commission. If we were in the advertising business we would probably refer to our salesmen as "account supervisors," which is more apt. "Account advisors" would be even more fitting. Government bond salesmen must have a thorough working knowledge of the problems of their clients and, because most of their clients are financial institutions, an understanding of central banking and the money market is a basic requirement. Thus fortified, a salesman learns as much as he can about the particular investment problems confronting an individual real or potential customer. It is interesting to mention at this point that some salesmen do business on the telephone for years with certain customers without ever meeting each other. When a salesman is able to obtain an up-to-date list of securities held in the investment portfolio of an institution, he is in a position to commence expressing at least intelligent, if not helpful, opinions. As in any profession, this confidential information is necessarily held and treated in strictest confidence. Without such a holdings list he is wasting both the portfolio manager's time and his time. You wouldn't expect your insurance agent to advise you without knowing what insurance you held, or your doctor to treat you without first learning your medical history. Unfortunately, there are a few investors who still seek advice, but are reluctant to give basic information to enable intelligent advice. The value of service rendered under such conditions can logically be negligible.

If, on the other hand, a salesman is given not only a list of holdings, but additional information including cost and current amortized book value of securities held, a recently dated statement of condition showing time and demand deposits, total gross earnings, net current earnings before taxes on income, taxes on income, net profits after taxes on income, together with the investor's forecast of the trend of his deposits during the current 12-month period, his expectation of any heavy withdrawals, and his forecast as to the demand for loans in his community or district, it is then possible to make an intelligent examination of the investor's problems. Such an examination may be made by the salesman himself, but in all likelihood the data will be presented to the statistical department for analysis. If, as a result of thorough analysis, it develops that a purchase or sale or exchange of one government security for another should be made, the recommendation is presented to the investor by the salesman. Let us assume that Salesman Jones has had the holdings of a bank in Texas examined, and recommends that the bank sell March 1¼s of 1947 and buy a similar amount of September 1½s of 1948 as a self-refunding operation. At the same time Salesman Smith is recommending to a bank in Rhode Island that March 1¼s of 1947 be purchased as a purely short-term issue in which to invest funds coming to hand as a result of maturing bills. Salesman Brown has recommended to a Minnesota bank the sale of September 1½s of 1948, because of its relative short maturity and low yield and because the Minnesota bank's portfolio is light in longer term holdings which could conservatively be added to as a means of increasing earnings. Now let us assume that the Texas, Rhode Island and Minnesota banks simultaneously approve of the recommendations made to them. The three salesmen would contact their head office over the wire system and obtain prices at which the various transactions could be executed. These prices are obtained so rapidly that the customer waits on the telephone for the reply. The sales and purchases are all agreed upon verbally, written confirmation being mailed by the dealer. The verbal agreement, however, is an absolute contract, and human nature being what it is, it seems at times remarkable that there has never been in the history of our company a reneging on the price stipulated in such a verbal contract. Any attempt would obviously be ruinous to reputation and credit. I mentioned that Salesmen Jones, Smith and Brown asked their head office for current prices on the issues concerned.

These prices are furnished by so-called "traders." The usual procedure is to assign the responsibility of making prices on the various issues to traders in accordance with the types of issues. In other words, one trader may specialize in short-term securities; another in intermediate-term issues; another in the long-term tap bonds; another in partially tax exempt issues; while still another may specialize in governmental agency bonds. These traders, sitting together, are in a position to see the supply-and-demand picture represented by the inquiries coming to them from the salesman. In a three-day transaction, such as I have described, the traders would, of course, be presented with no particularly difficult task. The operation would be a pure and simple simultaneous exchange. Physical delivery and pick-up of the bonds concerned might present certain technical problems to the cashier's department, but usually banks maintain the majority of their securities in safekeeping with a large New York or Chicago correspondent bank. If, on the other hand, the three banks did not simultaneously approve of the respective recommendations made, or if one of the banks in the three-way transaction disapproved of the recommendations made to it, the traders would receive not only an entirely different picture of supply and demand, which might in turn influence their quotation of prices, but also they would be presented with a more difficult problem. They would have to decide instantly whether or not to act as principal rather than middleman. Since dealing in government bonds is a service business, the purpose of which is to always make a market in any of the government bond security issues, the decision would, with few exceptions, automatically result in one of acting as principal. This would result in the dealer having a long or short position in the securities which he purchased from or sold to one investor without a simultaneous offsetting purchaser or seller of those securities known to him.

I shall discuss the subject of position or inventory later on. I believe, from the foregoing examples, you can see that the dealer acts as a middleman between investors throughout the country, and as such performs a function which could be likened to the slogan coined during the war by industries when they referred to their ability to produce as being a case of having "Know How." Dealers could coin a similar phrase and say that they have "Knew Who." This could be carried a step further by saying that dealers have to have "Know What" when they act as principal rather than middleman. The moment they act as principal they serve as a cushion for the market, and as such they contribute a tremendous stabilizing influence on the market. When acting in this latter capacity, dealers must estimate all factors, present and future, which will probably affect the market, in order to quote a price to the investor which will be satisfactory to the investor, as well as to the dealer who assumes the role of investor himself.

Government Bond Dealers

I mentioned earlier that there are 19 recognized government bond dealers. By recognized, I mean recognized as a member of the Government Securities Dealers Group by the Account Manager of the Open Market Committee of the Federal Reserve System located in New York. Certain dealers with large capital resources and with proven distributional ability and sufficient volume of retail business, in addition to being members of the informal association known as the Government Securities Dealers Group, have agreed in writing to cooperate with the Open Market Committee in its effort to maintain a stable market. They submit daily to the Open Market Committee confidential reports regarding their position and volume. Nineteen dealers may seem a small number in view of the size of the debt and the number of holders of this debt. However, the nature of the business is not only highly specialized, but of a sort that has caused several who were tempted to enter it to change their minds after giving the matter more thought and after reviewing the experiences of others. Unlike the exchanges which have listed the securities of thousands of corporations and can, therefore, support the thousands of brokers and dealers who specialize in the securities of their choice, the tremendous direct debt of the Federal Government is only represented in the form of 43 issues of bonds.

The dealers may be classified into three types—large, small and bank. The latter category may be large or small. The large dealers are financially and physically large and have national contacts through wire systems, branches, and representatives. The description, though, is determined more by the fact that a large dealer actually makes markets and is ready to "stand on his market" for sizable amounts, not knowing and regardless of whether the customer is a buyer or seller.

The small dealer is what the name implies, and performs in a relatively smaller way than the major dealer. His function is not to be belittled, but because his capital and contacts are less he finds it usually impossible to make his markets in size and stand on them. He can operate more easily, efficiently and conservatively by following and using the markets of the major dealers.

Dealer banks, in most cases, are those banks which have established a trading department to handle and match up the purchases and sales of their depositors and correspondent banks. To render this service they must, as any other dealer, carry an inventory in the form of a trading position. Whereas the maintenance of such a position may not appear to represent an orthodox banking practice, and only a few banks have a trading department, as opposed to a bond service department which handles customers' securities transactions as a broker between customer and dealer, these same banks have one considerable advantage over the rest of us. They can use deposits instead of having to borrow money in order to finance their position, regardless of departmental bookkeeping. Most banks, including the Federal Reserve Banks, as you know, prefer to handle customers' and correspondents' bonds in the capacity of a broker between client and dealer, with or without charge.

Dealers' Operations

Having mentioned the word position, it is time to say something about operations, because a dealer's position is the heart and nerve center of his business. Before 1860 the comparatively small amount of U. S. securities were traded on the New York Stock Exchange by brokers charging a commission. This practice is still in force for British securities traded in England on the London Exchange. There the partial equivalent of the American dealer is known as a jobber who is a member of the Exchange.

The equivalent of the Open Market Committee in London before the war (I don't know how it's done now under nationalization) was one of the brokers who was appointed and reimbursed to act as the government's agent and to quietly buy or sell for the account of the various government funds upon direction from the Treasury in order to stabilize the market. In prewar Berlin, it is my understanding that the market for the various government obligations was fixed daily at noon by Reichsbank officials and market experts. That was the market until next noon, unless one wished to deal outside of the official market at the risk of finding the official market next day quite different from the unofficial prices at which he dealt. All of this is simply by way of saying that there are many paths to the top of the same hill. The present operational procedures in this country were stimulated by a desire on the part of my father to specialize as a dealer rather than a broker. By doing business at net prices and profiting by the small difference between a bid and asked price on each issue, the cost of buying or selling was reduced to banks, insurance companies, and all other customers.

Stock Exchange brokers charging commissions found difficulty in competing. As time went on, and as more issues become available with the rise of the debt, and as interest in government securities was aroused in large part by the efforts of our company when the First Liberty Loan was issued, the spread between bid and asked was reduced from ¼ to the 1/32nd and 1/64th of 1% basis that is found today. A 64th of 1% amounts to a gross of 15½ cents per $1,000 bond. Needless to say, the volume and turnover needed to operate profitably on this basis is formidable—running into many billions per year. It has been said of our profession that it has the largest turnover at the smallest margin of profit of any business in the country. A large volume at a small unit profit would present no problem if it were that simple. But volume, like rain, usually never happens but what it pours—all in one direction. After the many factors affecting the outlook for the market are analyzed and weighed, something unforeseen develops, and sentiment changes along with the market overnight. Whether or not the sentiment and its reaction on the market seem justified by facts, one way volume commences to run its course and the dealer must be prepared to be the source or depository of supply, depending on which way the market is moving. Here is where the dealer must not only have volume capacity, but a trading position.

If the dealer does not have retail outlets to handle a surge of supply, or retail sources to meet a surge of demand, the dealer himself must serve as a shock-absorber which must be well lubricated and flexible in the sense of being ready to assume a large trading position, or in the sense of already having a large position, according to circumstances. This places the dealer in the same class with the croupier at Monte Carlo. If he chooses he can stop the wheel, but he may as well drop out of the game entirely if he is only prepared to win. His major income results from having his position in proper adjustment to market sentiment at all times. The income from simultaneously buying issues on the bid price and selling on the asked price can double or evaporate, depending on the status of the inventory or position at the time of a change in the market. If supply and demand were in perfect equilibrium at all times, and all buyers and sellers could have their instant desires matched, the dealers wouldn't have to take on positions. Or if investors' desires were not instant and, instead, the investor were willing to place an order as he does when he buys or sells listed stocks, the dealer could operate without a position and could satisfy his clients' wishes in a very short time—from 15 minutes to a few hours—many times at more satisfactory prices than the investor obtains for instant service. In other words, you pay more for the privilege of buying in a retail store than you do when you place an order with a wholesale jobber.

Mainly because of competition, dealers have developed the practice of doing wholesale business on a retail basis. $100,000 bond trades are and should be treated purely from the retail standpoint. However, when a dealer is presented with a proposition involving a million or more, has no immediate offset in mind, and is expected to make a bid or offer on the telephone rather than being given an order, the dealer is automatically forced into a gamble and may adjust his prices accordingly to partially cover the added risk that he incurs by adding to his position. This is especially true if an addition to his position would place a strain on his capital structure. Of course, a proposition involving a million or more made by a customer to a dealer may fit the dealer's position and the transaction could be completed instantly. The dealer is always attempting to anticipate supply and demand and hopes to be in a position to give his clients immediate service. However, the dealer who can on the average anticipate correctly more times than not can consider himself a success, and will disappoint himself and his customers if he has higher aspirations. An incidental factor presently tending to force dealers into incurring larger positions is the same as that which is having a tendency to cause banks to lengthen maturities in their investment portfolio—namely, a risky method of covering inflated operating costs. Because of the vital importance of position to a dealer, one can argue with logic that volume per se should not be desired for the possibility of profits resulting from the turn between bid and asked prices. After all, sufficient volume should enable the dealer to foresee a trend and thereby allow an adjustment in trading positions which would be ample reward and compensation for the expense of handling the volume, and prices could be a single quotation rather than a double bid and asked quotation. Frequently, as a matter of fact, prices are single. The dealer in an active, rising or falling market may buy bonds at his offered price or sell bonds at his bid price to get his position in tune with the market trend. During dull markets, however, the bid and asked spread is the only means of livelihood for a dealer, and he must depend on this spread. In periods of extreme market fluctuations, or uncertainty, he may even widen his spreads as a precautionary measure, or he must request the investor to do business on an order basis.

Quotations Merely "Indicators on a Board"

If I can drive home one truth this evening, it is that government bond dealers' quotations are simply ink on paper or indicators on a board. The particular list of quotations you may look at merely indicates that individual dealer's interpretation or judgment of market values at a given moment. The list does not necessarily represent prices at which the last transaction in each issue was performed, as in the case of Stock Exchange quotations. I doubt if you will ever see such a daily recording of transactions under our present system. Often there will be no trades in a particular issue for several days, yet the quotations for that issue will move up and down all day long in relation to the fluctuations of the more active issues. And no one has ever seen a government quote sheet put out by any of the dealers that specified the potential size of trades that his quotations cover. An investor can turn the market against himself if he has a large-sized purchase or sale in mind and relies too heavily on current quotations in his attempt to execute business at those quoted prices. Either by shopping among the dealers for the best price, or by splitting up his business and showing parts of it to several dealers at the same time, it is possible the size of the desired transaction may be multiplied by the constant checking and rechecking of markets by and between dealers to appear more sizable as a supply or demand factor than it actually is, and the respective dealers will adjust their quotations accordingly—against the interests of the investor. As a rule of thumb, it might be said that the larger the transaction the wiser it is for the investor to take one dealer into his confidence and allow that dealer to work on an order basis in the best interest of all concerned, rather than to force several dealers into a gamble. The investor can set his own quotations or price limits on the order and may fare better for himself in the long run if he tries for execution at quoted prices of the moment. The dealer under these conditions is able to use his retail facilities rather than being required to immediately liquidate his risk.

Offsetting Positions

Again speaking only for our company, I can say that there is only a small percentage of the time that we offset position risks by buying or selling, directly or indirectly, from other government bond dealers. At such infrequent times the transaction is usually in the form of an exchange whereby the size of our position does not undergo a change—only the consist. A transaction of this nature is not to be considered in the same light as one which is commonly referred to as an operation in the professional market. This is an entirely different affair and one which is looked upon as being highly unethical. Such a market is often found when a dealer has a particularly long or short position which he does not wish to maintain, and so to liquidate it he talks the market up or down as the case may be, and raises or lowers his quotations to support his campaign. To further support the campaign the dealer must, under the circumstances, be prepared to add to his position while he is in the process of getting the quotations to the level at which he will quietly, and he hopes profitably, commence liquidating. A professional market, which does not represent a true picture of investment supply and demand, is one in which the real investor can be hurt. A less insidious type of market, and one which is some times referred to as professional, is that in which activity is caused by circulation of a rumor or by a great amount of emphasis being laid upon the importance of a rumor. This is also considered unethical, but it is not so dangerous to the investor because the quotations in the market actually do represent real supply and demand resulting from the way in which the rumor is accepted and evaluated. I commented that on occasions (usually just before the close of daily trading) our company enters the sizable inter-dealer market either directly or indirectly. I used the phrase "directly" because there is in the government bond market a little known group of individuals referred to as government bond brokers. They are the middlemen's middlemen and fill part of the gap resulting from the lack of a common meeting place or exchange floor for our members. They serve in a liaison capacity as confidential agent, solely for and between government bond dealers, charging the dealer assisted 1/64th of 1% for services rendered. A very few financial institutions have at times been reported to have served in the capacity of a government bond broker between dealers. Such a practice is known to the trade by the unflattering term "fencing." The establishment of a central exchange floor might prove a step in the direction of eliminating some of these costly weaknesses in the existing operational scheme of things. Past proposals to this effect have not, however, been favorably accepted by all dealers.

Going back, and concluding the subject of quotations which has so many ramifications, one could give many examples of well intentioned, but poorly handled executions of transactions by investors who do not thoroughly understand the advantages of placing orders. On the contrary, the recent liquidation of almost a ½ billion dollars worth of Government securities, mostly consisting of difficult-to-market partial tax exempts, by a Government trust fund without making a ripple in that sensitive market is an illustration of an operation executed to perfection. In short, the consensus of investors is translated by the dealers into quotations, but these quotations are simply a temporary guide. If the investor makes up his own mind with respect to values, always considering the insignificant value of 32nds and 64ths in comparison and in relation to yield, and then enlists a dealer to work with him rather than for him, he will demonstrate to himself, not only results, but a knowledge of the true relationship between investor and dealer.

Causes of Purchases and Sales

Perhaps I have devoted too much time to the problems of operations without discussing the cause of purchases and sales which result in market fluctuations. The two subjects are interwoven, though. Operations can be a large factor in fluctuations. We read daily of reasons for purchases or sales, and the opposite of the very trade that is good for one is sound for another. Not to risk insulting your intelligence, I mention only a few of the more usual reasons causing investors to interest themselves in the purchase or sale of Governments: Expansion or contraction of excess reserves or investable funds, increase or decrease in loans, change of portfolio maturity schedule, change of portfolio quality structure, change of tax outlook, stoppage of loss or realization of profit arbitrage. This last reason is one which justifies a separate treatment unto itself. Suffice to say that arbitrage is a market stabilizer and a practice which, though unpopular with some, is conservative, profitable, and is used widely in the U. S. Government bond market, as well as, in form, in all the older established markets throughout the world. Needless to add, there are always the reasons for fluctuations to be found in Treasury policies, money market conditions and domestic or international affairs. Finally, there is that unpredictable and often unexplainable factor—sentiment or investor psychology. It is like a tide in one direction with the wind blowing opposite.

I am aware of trying to cover a big field in a short time, and did not intend to be as critical or pedantic as might appear. I believe I can speak for the whole Government bond dealer fraternity in concluding with our company's guiding slogan, "The real test of a financial institution is the contribution it makes in developing the prosperity of its patrons."

"Whose Freedom of the Press Is It?"

(Continued from page 135)

security. You have on the whole been remarkably successful. Guild men and women on the average are now getting about twice as as much as they were 10 years ago. They are much more secure against dismissal without cause. These great advances create responsibility. It is as important for labor to know the problems of management as it is for management to understood the problems of labor. The need for labor to understand what management is up against will be especially great during the next two or three years. When a postwar inflation comes to an end, newspaper management often has to take very drastic action in order to survive. All of us must plan to help management to survive with the minimum of damage to wage structure and job security.

Anyone who lived through the dislocations of 25 years ago knows the nature of the problems. The true statesmen of Management and Labor will try to minimize these dislocations, not to accentuate them.

The Guild has always been in the forefront of the progressive movement. It believes that freedom of expression means more than freedom of the publishers and the owners of the radio chains to decide just what the public should know. It believes that freedom of private institutions means more than freedom for a few hundred publishing and radio monopolies to dominate the method of disseminating information. It believes that the public should exercise in a continuous and positive way its freedom of access to the whole truth. Therefore I am sure that every guildsman is enormously concerned with the ways in which liberal commentators have been eliminated from the air. They know there are only a few liberal newspapers and that some of these have recently been obliged to discharge a large number of liberal newspaper men.

Who is to blame for the disappearance of the liberals? Is it the advertisers? Is it the publishers? Is it the working newspaper men? Or is it the American people themselves who have lost faith in the liberals?

One thing I am sure of is that in the long run the people will never be against the liberal cause. But in the short run they may be mighty slow catching on, especially if those of us who are in position to discern the trend of the times don't help. It is foolish to blame the publishers and the advertisers. They are like the Supreme Court only more so. You will remember Mr. Dooley said the Supreme Court always followed the election returns. We surely can't blame the publishers and the advertisers for following the cash register returns. That gets it down to the working newspapermen. What can they do?

When I was campaigning in 1944 I asked newspapermen in nearly every town what was the poll in their own newspaper shop. I found that nearly everywhere the publishers were for Dewey and 70% of the working newspaper men were for Roosevelt. Generally speaking the most reactionary newspapers had the most progressive sentiment among their workers. I have met an amazingly large number of progressives working for the most reactionary magazines as well as the newspapers. Some of our guildsmen and women are working under conditions which must seem to them a little like a spiritual concentration camp. They write a story one way. Somebody else changes it and puts on a headline altogether at variance with the facts which they reported. We who know these truths may well ask, "Whose freedom of the press is it?" The supreme freedom is the freedom of the people to know the truth. Today in the U. S. the people have that freedom but they are not exercising it because they have not cared enough for liberal commentators, liberal columnists and liberal newspapers to support them vigorously. A half used freedom cannot be stored away indefinitely.

Therefore I hope that in the future as in the past he Newspaper Guild will fight for adequate wages, job security, a fair attitude toward management, freedom of the press, and above all the freedom of the public to know the truth and the desire of the public to know the truth. For the peace and prosperity of the world it is more important for the public to know the liberal truth than the reactionary truth. Perhaps someday all of us will be strong enough to stand the **real** truth.

In conclusion I want to reaffirm my faith in the potential destiny of an active press. It can mean more for peace than all the diplomats of all the foreign offices. It can contribute more to education than all the universities. Or the press by continuallly throwing the truth out of focus, by selecting the facts to favor certain groups, can travel the downward path of lost public confidence. There is no question that the Guild will throw the weight of its influence on the constructive side. May it ever be thus.

Cleaves Asst. to Pres. Of Celanese Corp.

Emery N. Cleaves has been appointed Assistant to the President of Celanese Corporation of America, according to a recent announcement by Harold Blancke, President of the corporation. One of Mr. Cleaves's principal concerns will be the carrying forward of the company's program of stockholder and investment relationships.

The new Celanese executive previously had been engaged in independent practice as a consultant in management problems, making field studies for several large industrial organizations. He served in the war as a Lieutenant Commander, U.S.N.R., in command of a mine sweeping division in the Pacific theatre. Prior to the war he was a member of the firm of Robert Heller & Associates of Cleveland, Management Consultants. He is a graduate of Harvard University.

With Montgomery, Stone

Bert De Nobellis, formerly with Adams & Peck, has become associated with Montgomery, Stone & Peyser, Inc., 57 William Street, New York City.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Stocks have marked time long enough. Expect some kind of action in immediate future.

Now that the holidays are over and you've had a chance to mull over the Christmas cards you've gotten from people you didn't send any to, and had to rush out and mail some in a hurry, we can go back to worrying about the market and what it says, if anything. Naturally we'd like them to go up. Not only because everybody prefers it, but what is of much more immediate importance, is to get some money together to pay off the Christmas bills that are now pouring in.

* * *

The first few days of the new year showed little for either the bear or the bull to feed on. The last trading day of 1946 the familiar average made a high of 177.89 and a low of 175.79. The first few days of 1947 showed little improvement. Up to Saturday, Jan. 4, the high was 177.83; low 176.04. On Jan. 6 (when this was written) the high was 178.39 against a low of 177.87. If you take a casual glance at all these figures they mean little one way or another. (Just between ourselves, I can't stand figures either. They either bore or distract me.) But if you've read so far maybe I can give you at least one conclusion, or, rather an observation. Make your own conclusion. All during the fading days of 1946 and the start of 1947 you will see that even if the average, taking the highs, didn't go up, the lows kept climbing rung by rung. Only one day, Jan. 3, did they miss a step, when they slipped down to 174.71.

* * *

A market that creeps up in this fashion, lows up, highs do nothing or decline or advance fractionally, is a market that usually is getting ready to do something. Frequently this something means higher prices. Whether or not this will happen from here on is something that I can't be certain of. Where the market is concerned, I can't be certain of anything. I just follow signs and hope I don't get lost, or if I do, that I get out with nothing worse than a scraped knee.

* * *

As I was writing this the Truman speech was coming over the air. While listening to it I also looked at the stock tape. It was soon apparent that there was little in the speech to either upset the market or cheer it up. I might say in passing that the chattering of the ticker interfered with radio reception. If I shut the ticker off I wouldn't know what was happening. If I turned off the radio I'd miss something. I finally compromised. I turned them both off.

* * *

Whether Truman's speech will mean Congressional action is doubtful. What Congress will do from here on, rather than what the President wants, will be more important. Yet, nobody who reads papers, or has heard the speeches of the new lawmakers, has any doubt about tuture plans: labor legislation, higher tariffs, tax cuts, etc., how much of these plans will become fact remains to be seen. Some of them will become laws. Others will come in for a kicking around which will make for interesting headlines and radio speculations by commentators.

* * *

How the market will regard this will be answered in due time. On the basis of action up to now it seems apparent that prices will go up. But what is apparent one day can easily be changed the following day.

* * *

You still hold a number of stocks. Up to this writing there was nothing in their action which indicated anything more than minor unsettlement. So advice to maintain all positions stays in effect.

* * *

Stocks, purchase price and stops are as follows: Anaconda, bought at 37; stop at 37. Take profits across 44. Dresser Industries bought at 17, stop 18. Accept your profits across 25. Gulf, Mobile and Ohio bought at 12 still carries a stop at 13. I'm not giving you any profit-taking price because I don't know what it is. Southern Pacific came into the list at 43. A week later I recommended a stop of 44. Stock is now about 46 and looks higher. How much higher is something for the crystal gazers to tell you. On the basis of recent and current action it looks like 50. I may be more specific next week.

More next Thursday.

—Walter Whyte

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

Wurts, Dulles Opens Dept. Under A. S. Knapp

PHILADELPHIA, PA.—Wurts, Dulles & Co., 1416 Chestnut Street, members of the New York and Philadelphia Stock Exchanges, have opened a municipal bond department under the management of Alfred S. Knapp. Also associated with them in the new department is George S. Burgess.

Mr. Knapp was formerly with Newburger & Hano in the municipal department and prior thereto was manager of the sales department for the Philadelphia office of Charles Clark & Co.

G. S. Emery is Now with Wm. J. Mericka & Co.

(Special to The Financial Chronicle)

CLEVELAND, OHIO—Grenville S. Emery has become associated with Wm. J. Mericka & Co., Union Commerce Building, members of the Cleveland Stock Exchange. Mr. Emery was previously with Hirsch & Co. Prior thereto he had been with Davis, Skaggs & Co. in San Francisco. In the past, before entering the armed forces, he was connected with Ledogar-Horner Co.

With Townsend, Dabney & Tyson

(Special to The Financial Chronicle)

BOSTON, MASS. — Townsend, Dabney & Tyson, 30 State Street, members of the New York and Boston Stock Exchanges, have added John F. Geary to the firm's staff.

Joins Morton Seidel Staff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Jack Singer has been added to the staff of Morton Seidel & Company, 458 South Spring Street.

With M. B. Vick & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — James G. O'Donohue is connected with M. B. Vick & Co., 120 South La Salle Street.

Wall Street Looking to Congress for Relief From Restrictions on Margin Trading

Belief grows that if the question of margins is left to Marriner S. Eccles, Chairman of the Federal Reserve Board, the restrictions will never be lifted. The financial community is looking more and more to Emil Schram as President of the New York Stock Exchange to find a way out of the impasse in which it finds itself on the subject. Announcement of Senator Styles Bridges that he will try to get Congress to take such steps as may be required to lift the restrictions on margins buoys up hopes of brokers.

While Marriner S. Eccles, Chairman of the Federal Reserve Board, has his ideas on the question of margin trading in listed securities, brokers and investment banking groups and many another segment of the money market, have theirs, too, and the way things look now Eccles and the brokers and the bankers will never be able to see eye-to-eye on the matter.

In fact, it would actually appear that Eccles and the brokers aren't even on speaking terms, even the cold, terse speaking terms which business formalities often require. Eccles hasn't seen fit, for instance, to give even a courtesy reply to the letter sent to him on Dec. 10 by James F. Burns, President of the Association of Stock Exchange Firms, stating in resolution form why the Board of Governors feels margin restrictions should be lifted at this time.

The Burns letter was sent to the other members of the Federal Reserve Board, too, and replies of a purely perfunctory character, it is said, acknowledging receipt of the letter and promising consideration of the question, have been received from some of them.

The conviction is steadily gaining ground on Wall Street that if the question of margins is left up to Eccles, the restrictions on margin trading will never be lifted. More and more now, the financial community here is looking to Emil Schram as President of the New York Stock Exchange to find a way out of the impasse in which it finds itself on the subject. Appeals to reason addressed to the Federal Reserve Board, it is said, have failed. It may be desirable now, it is pointed out all around, to resort to political means to gain the objectives sought.

Wall Street is expecting much from Washington these days in view of the new political alignment in the nation's capital and ever since Senator Styles Bridges, Republican, of New Hampshire announced that he would try to get Congress to take such steps as may be required to lift the restrictions on margins the hopes of the brokers have risen almost beyond all bounds. Eccles, they say, should be called before a Congressional hearing of some sort to answer certain questions concerning his treatment of margins.

Though Eccles' influence on the Federal Reserve Board is considered as very strong in view of the fact that he has only begun to serve his second term of 14 years as a member of the board, still he has only little more than a year to complete his present term of four years as Chairman of the board. He will continue as a member of the board until 1958, that is, but his term as Chairman expires on February 1 of next year. The next year, however, could easily prove decisive as far as the question of margins is concerned, it is felt.

If some of the power of the Federal Reserve Board on margins is transferred to Congress, only the Board will be to blame, some Wall Street observers point out. By lacking a flexible policy on margins, the Board is really displaying its incapacity to carry out the desires of Congress on the subject, they say. After all, according to the Board's own reasoning, they point out, the present margin restriction has been applied to prevent excessive expansion of credit. Many in the financial community will argue—at the drop of a hat, so to speak—that excessive credit does not exist in the stock market today, in fact, that the very reverse is true.

SEC Overrules NASD on Membership Issue

Orders readmission of R. Leeby & Co. to membership on ground that refusal lacked "informative statement of its reason."

On Jan. 7, the Securities and Exchange Commission directed the National Association of Securities Dealers, Inc., to readmit to its membership Lawrence R. Leeby, doing business as Lawrence R. Leeby & Co. of Miami Beach, Fla. On Aug. 14, 1942, the NASD expelled Mr. Leeby from its membership, alleging his firm sold securities at unfair prices in violation of the Association's rules of fair and equitable practices, and almost a year thereafter (on June 26, 1943) the SEC itself, revoked the firm's registration as a dealer and broker. After a lapse of three years, Mr. Leeby petitioned the SEC to again register him as a dealer and broker, and the application was granted on Oct. 10, 1946. The NASD, however, refused to readmit the applicant to membership, and this action brought an appeal to the SEC. In rendering a decision ordering the NASD to admit Leeby, the SEC stated:

"It is incumbent upon the NASD, if we are to sustain its action of disapproval, to present adequate reasons in addition to the disability arising from the 1942 expulsion for barring Leeby indefinitely from membership. The NASD, although afforded the opportunity has not apprised us of any additional information or provided a satisfactory basis for continuing its exclusion order."

The NASD action, the decision concluded, "lacks the very essence envisaged by the statutory procedure, namely, an informative statement of its reason for rejecting him for membership."

R. H. Murray Partner In Ketcham & Nongard

CHICAGO, ILL. — Rowland H. Murray, sales manager of Ketcham & Nongard, 105 West Adams Street, investment banking firm, has been admitted to general partnership.

A Lt. Commander in the United States Navy during the war, Mr. Murray's investment experience dates from 1923 when he joined the bond department of the Harris Trust & Savings Bank. Leaving the bank in 1929, he later was with Brown Bros., Harriman & Co., and Harris, Upham & Co. Before entering the Navy he was manager of the bond department of the Illinois Bankers Life Assurance Company of Monmouth, Illinois.

Smith with Dean Witter Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Vernon D. Smith has become associated with Dean Witter & Co., 632 South Spring Street.

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.

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.
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, 280 Broadway, 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.

● **Arizona-Cochise Petroleum Corp., Douglas, Ariz.**
Dec. 27 (letter of notification) 500 shares (no par) capital stock. Price $90 a share. No underwriting. To pay part of cost of drilling an oil well.

Arkansas Western Gas Co.
June 5 filed 16,197 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 Metals, Inc., Seattle, Wash.**
Dec. 30 (letter of notification) 200,000 shares of common. Price, 45 cents a share. Underwriting, L. A. Adams, Kirkland, Wash.; R. C. Rumball, J. S. Kennedy, and E. M. Williams, all of Seattle; S. W. Grub, Yakima, Wash.; and J. R. Evans, Sequim, Wash. For purchase and installation of mill equipment.

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.

● **Babbitt (B. T.), Inc., New York**
Jan 7 filed 207,937 shares ($1 par) common. **Underwriters**—Headed by Lehman Brothers, Goldman, Sachs & Co.; Wertheim & Co. and Burnham & Co. **Offering**—Of the total company is selling 66,000 shares and remaining 141,937 shares are being sold by certain stockholders. **Price**—By amendment. **Proceeds**—About $500,000 of the net proceeds to company will be used to reimburse company for expenditures incurred in the construction and equipping of a new plant at Clearing, Ill. The balance will be added to general funds. **Business**—Manufacture of household cleansers and lye.

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.

● **Bates Manufacturing Co., Lewiston, Me.**
Dec. 31 (letter of notification) 500 shares ($10 par) common on behalf of Herman D. Ruhm, Jr., President of the company. Price, $30 a share. Underwriting, to be sold on over-the-counter market through R. W. Pressprich & Co., New York, acting as a broker. Proceeds go to the selling stockholder.

● **Beacon Associates, Inc., Providence, R. I.**
Dec. 27 (letter of notification) 896 shares (no par) common. Price, $16.82 a share. No underwriting. For either liquidation of loans or as advances to subsidiaries.

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 Co., 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 principal and interest on debenture notes and reduce loans.

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.

(Continued on page 178)

NEW ISSUE CALENDAR

(Showing probable date of offering)

January 9, 1947

Intra-Video Corp. of America---Pfd. and Common
Magnacorda Corp.------------------Capital Stock

January 10, 1947

Republic Indemnity Co. of Am.---Pfd. and Common

January 13, 1947

Canadian Admiral Corp., Ltd.------------Common
Cristina Mines, Inc.--------------------Common

January 14, 1947

Harman (Wm. H.) Corp.-------------Capital Stock
Public Industries, Inc.-----------Pfd. and Common

January 15, 1947

General Phoenix Corp.---------------Debentures
Helene Curtis Industries, Inc.--------Preferred
Pantasote Co.------------------------Common
Swift & Co.-------------------------Debentures

January 16, 1947

Old Town Ribbon & Carbon Co.---------Common
Frontier Power Co.--------------------Common

January 17, 1947

Birmingham Electric Co.---------------Preferred

January 23, 1947

Alabama Great Southern RR.
(3 p.m. EST)-----------------Equip. Trust Ctfs.
Cincinnati, New Orleans & Texas Pacific Ry.
(3 p.m. EST)-----------------Equip. Trust Ctfs.

January 27, 1947

Central & South West Corp.-------------Common
Firestone Tire & Rubber Co.-----------Debentures

February 3, 1947

Continental Car-na-var Corp.------------Common

(Continued from page 177)

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. (1/17)

Company is inviting bids for the purchase of 45,478 shares of 4.20% preferred stock up to 12 noon (EST), Jan. 17, at Room 1852, 2 Rector St., New York City. Probable bidders include The First Boston Corp.; Smith Barney & Co.; Lehman Brothers; Kidder, Peabody & Co. Sale originally scheduled for Jan. 7.

Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds**—For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withhold action at this time.

Book-of-the-month Club, Inc., New York

Oct. 28 filed 300,000 shares ($1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories. Offering date indefinite.

● **Booth (F. E.) Co., Inc., San Francisco**

Dec. 30 (letter of notification) 34,344 shares ($1 par) common. Price, $1 a share. No underwriting. To augment working capital.

Boston Store of Chicago, Inc.

Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock 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.

● **Boulder Belle Mining Co., Inc., Helena, Mont.**

Dec. 30 (letter of notification) 270,000 shares of stock. Price, 10 cents a share. No underwriting. For development of mining claims and other expenses.

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.

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 (1/13-17)

July 8 filed 150,000 shares ($1 par) common stock. **Underwriter**—Dempsey & Co. **Offering**—17,000 shares will be sold to Admiral Corp. (Del.) and 133,000 shares will be sold to public. Stockholders of Admiral Corp. (Del.) will have opportunity for 14 days to purchase 50,000 shares 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)

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.

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.

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. (2/3-7)

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.

Cristina Mines, Inc., New York (1/13/17)

Dec. 9 (letter of notification) 270,000 shares of common stock (par $1). **Underwriter**—Newkirk & Banks, Inc. **Price**—$1 per share. **Proceeds**—Property improvements exploration, purchase of machinery, working capital, etc.

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.

● **Czechoslovak State**

Dec. 30 The Czechoslovak State, by reason of its guarantee of City of Carlsbad 8% bonds due 1954, through its fiscal agent, C. B. Richard & Co., New York filed letter of notification for $500,000 in guarantees of the Czechoslovak State as to City of Carlsbad 8% bonds due 1954, in denominations of $1,000, $500. On the approximately $500,000 City of Carlsbad bonds due 1954, the Czechoslovak State is guaranteeing service of interest at the rate of 4% per annum beginning with the Jan. 1947, coupon amortization of 1% per annum to Jan. 1958, thereafter increased sufficiently to retire all bonds by Jan. 1, 1966, and to pay over 11 years back interest at the rate of 4% per annum, the bonds to be stamped on acceptance of the exchange offer. No commission or other remuneration is to be paid for solicitation of exchange under the offer. There will be no cash proceed

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.

• **Deep Wells, Inc., Tulsa, Okla.**
Jan. 2 (letter of notification) 240 shares ($100 par) stock. **Price**—$100 a share. No underwriting. For purchase of machinery, equipment, tools and for payroll.

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.

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.

• **East Orange Post No. 73 Inc. (The American Legion Dept. of New Jersey), East Orange**
Dec. 30 (letter of notification) $35,000 first mortgage 4% sinking fund bonds. Price, $100 a unit. No underwriting. For retiring outstanding mortgage and to rehabilitate post headquarters.

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.

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.

Falk Mercantile Co., Ltd., Boise, Ida.
Oct. 21 (letter of notification) 3,000 shares of 4½% preferred ($100 par). **Price**—$100 a share. **Underwriter**—Richard Meade Dunlevy Childs, Boise, Idaho. Proceeds to retire debentures and for expansion purposes.

Farquhar (A. B.) Co., York, Pa.
Sept. 26 filed 30,000 shares ($25 par) cumulative convertible preferred; 45,000 shares ($5 par) common; and an unspecified number of common shares to permit conversion of the preferred. **Underwriter**—Stroud & Co., Inc., Philadelphia. **Price**—By amendment. **Proceeds** — Proceeds will be used to redeem $355,350 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages of $72,000 and $800,000 to reduce principal on outstanding bank loans.

Films Inc., New York
June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. **Underwriters**—Herrick, Waddell & Co., Inc., New York. **Offering**—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

Firestone Tire & Rubber Co. (1/27)
Jan. 7 filed $25,000,000 25-year debentures due 1972. **Underwriters**—Harriman Ripley & Co. Inc.; New York; and Otis and Co. Inc., Cleveland. **Price**—By amendment. **Proceeds**—For redemption of 250,000 shares out of 414,000 outstanding shares of 4½% preferred (cumulative) at $105 a share plus accrued dividends. **Business**—Manufacture of rubber tires and tubes.

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.

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. Indefinitely postponed.

Fresh Dry Foods, Inc., Columbia, S. C.
Aug. 30 filed 450,000 shares (10¢ par) common. **Underwriter**—Newkirk & Banks, Inc. **Offering**—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. **Price**—$6 a share. **Proceeds**—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital. Offering date indefinite.

Frontier Power Co., Trinidad, Colo. (1/16-21)
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.

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.

• **Graybar Electric Co., Inc., New York**
Jan. 3 filed voting trust certificates for 15,000 shares ($20 par) common.

• **Great Western Corp., San Francisco**
Jan. 3 (letter of notification) 220,000 shares ($1 par) common. Price, $1 a share. No underwriting. For plant expense and working capital.

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. Indefinitely 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. (1/14)
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.

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. (1/15)
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.

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.

• **Intra-Video Corp. of America, N. Y. (1/9)**
Jan. 2 (leter of notification) 55,000 shares each ($1 par) 30¢ cumulative convertible preferred and common (par 5¢). Price, $5 a unit, consisting of one share of preferred and one share of common. No subscription for less than 50 units will be accepted. For payment of obligations and for working capital.

(Continued on page 180)

(Continued from page 179)

● **Josten Manufacturing Co., Owatonna, Min.**
Dec. 26 (letter of notification) 10,000 non-voting shares of common on behalf of Daniel C. Gainey, President. Price, $9 a share. No underwriting. Proceeds go to selling stockholder.

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
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.

Mada Yellowknife Gold Mines, Ltd., Toronto
June 7 filed 250,000 shares of capital stock (par 40c) **Undewriters**—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.

● **Magnacorda Corp. of America, Brooklyn (1/9)**
Jan. 2 (letter of notification) 6,000 shares (no par) stock and 2,000 shares ($25 par) stock. The 6,000 shares will be issued to incorporators in consideration of giving company control of certain inventions and the 2,000 shares will be sold at par. No underwriting. For working capital.

Maine Public Service Co., Preque Isle, Me.
June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—The shares are being sold by Consolidated Electric and Gas Co., parent of Maine Public Service, in compliance with geographic integration provisions of the Public Utility Holding Company Act.

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.

● **Mercantile Acceptance Corp. of Calif., San Francisco**
Jan. 3 (letter of notification) $20,000 5% series first preferred. **Price**—$20 a share. **Underwriter**—Guardian Securities Corp., San Francisco. For corporate purposes.

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.

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.

● **National Finance & Investment Corp., Washington, D. C.**
Dec. 27 (letter of notification) 20,000 shares of common. Price, $12 a share. No underwriting. To provide financial service to negro business enterprises and to the negro people generally.

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. (1/16-21)
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.
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.

● **Oro Yellowknife Gold Mines Ltd., Toronto, Can.**
Jan. 7 filed 2,000,000 shares ($1 par) capital stock. **Underwriter**—Tellier & Co., New York. **Price**—60 cents a share. **Proceeds**—For expenses and exploration and development.

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. Issue may be withdrawn.

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. (1/15)
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 t[o] purchase drilling machinery and other equipment

Peruvian International Airways, Lima, Peru
Dec. 5 filed 477,122 shares ($7 par) 50-cent convertibl[e] preferred and 238,561 shares ($1 par) common. **Under[writer]**—None stated. **Offering**—Shares will be offere[d] publicly in units of two shares of convertible preferre[d] and one share of common at $15 a unit. The compan[y] also may offer the shares other than by unit at a pric[e] of $7 a preferred share and $1 a common share. **Proceed[s]**—To increase capital for expansion of proposed a[ir] route connecting Peru and Montreal, Can.

Petroleum Heat & Power Co., Stamford, Con[n.]
Dec. 30 filed 912,464 shares ($2 par) common. **Unde[r]writers**—None. **Offering**—Shares will be offered in ex[-]change for entire outstanding capital stock of Taylor R[e]fining Co., consisting of 8,946 shares (no par) comm[on] with an underlying book value of $2,458,224 as of la[...]

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.

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.

• **Potomac Broadcasting Cooperative Inc., Washington, D. C.**
Jan. 2 (letter of notification) 7,000 shares ($10 par) preferred. **Price**—$10 a share. **Underwriter**—Rochdale Cooperative, Inc., Washington, D. C. to finance erection and equipment of radio station and to provide operating capital.

• **Public Industries, Inc., New York (1/14)**
Jan. 7 (letter of notification) 24,700 shares common stock (par $1) and 10,000 shares preferred (par $10). No underwriting. Price of common $1 per share and preferred $10 per share. Proceeds for working capital.

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 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.

• **Ritepoint Co., St. Louis, Mo.**
Jan. 2 (letter of notification) 42,500 shares ($1 par) common. **Price**—$7 a share. **Underwriter**—Dempsey-Tegeler & Co., St. Louis. For additional working capital.

• **Ross (James E.), Denver, Colo.**
Dec. 31 (letter of notification) 500 Jim Ross Grubstake units. **Price** — $20 a unit. No underwriting. For gold prospecting mining property. **Business** — Exploration, development and operation of mining properties in Dominion of Canada.

• **Sanborn Co., Cambridge, Mass.**
Dec. 27 (letter of notification) 8,000 shares ($25 par) 6% cumulative preferred. Price, $25 a share. No underwriting. To increase working capital.

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.

• **Searchlight (Nev.) Consol. Mining & Milling Co.**
Jan 2 (letter of notification) 2,500,000 shares (10¢ par) common. **Price**—10 cents a share. No underwriting. For mine operation and purchase of mill.

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.

• **Southern Advance Bag & Paper Co., Inc., Boston**
Jan. 3 (letter of notification) 4,300 shares ($1 par) common. Price, $23 a share. **Underwriter**—E. H. Rollins and Sons Inc., New York. Shares are being sold on behalf of trustees under will of Agnes M. Lindsay.

• **Starlite Mining Co., Reno, Nev.**
Jan. 3 (letter of notification) 150,000 shares (50¢ par) common. **Price**—50 cents a share. No underwriting. For acquisition and exploration of certain mining properties.

Stone Container Corp., Chicago
Oct. 24 filed 300,000 shares of ($1 par) common. **Underwriter** — Hornblower & Weeks, Chicago. **Offering** — Of the total, company is selling 200,000 shares and stockholders are selling the remaining 100,000 shares. Price by amendment. **Proceeds**—Of net proceeds, company will use $1,225,000, plus a premium of $12,250, together with accrued interest, for payment of a bank loan, and $493,500, together with accrued interest, for discharge of its 10-year 6% debentures. Any balance will be added to working capital.

Street & Smith Publications, Inc.
July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Swern & Co., Trenton, N. J.
Aug. 28 filed 195,000 shares common stock (par $1). **Underwriter**—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares. **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

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 of record Jan. 16 at rate of one share for each three shares held. Price 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.

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 Fluorspar, Inc., Salida, Colo.**
Jan. 3 (letter of notification) 250,000 shares ($1 par) class AA common. Price, 25 cents a share. No underwriting. To pay debts and for operation of mill and ore mining.

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.

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.

• **Wailes-Bageman, Inc., Vernon, Calif.**
Dec. 31 (letter of notification) 2,475 shares ($10 par) preferred and 20,046 shares of common. Price, $10 a preferred share and $1 a common share. No underwriting. For payment of obligations.

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.

(Continued on page 182)

(Continued from page 181)

Western Air Lines, Inc.

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. (1/23)

Bids will be received at company's office Room 2018, 70 Pine St., New York, up to 3 p.m. EST Jan 23 for the sale of $1,907,000 equipment trust certificates series J. Dated Feb. 15, 1947 certificates will mature in 10 equal annual installments 1948-1957. Dividend rate to be specified in the bids. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Cincinnati, New Orleans & Texas Pacific Ry. (1/23)

Bids will be received at company's office room 2018, 70 Pine St., New York up to 3 p.m. EST Jan. 23 for the sale of $1,700,000 equipment trust certificates Series K. Dated Feb. 15, 1947 certificates will mature in 10 equal annual installments 1948-1957. Dividend rate is to be specified in the bids. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Foster & Kleister Co.

Jan. 4 company plans to seek written consents from Class A preferred stockholders authorizing creation of not exceeding $1,250,000 funded debt, to be used for expansion and working capital.

• Hartford Gas Co.

Jan. 4 stockholders approved company's proposed plan to create an open-end mortgage and to issue $2,000,000 first-mortgage bonds to finance plant expansion. Issue may be placed privately.

• Missouri-Kansas-Texas RR.

Jan. 14 company will open bids on a $5,000,000 loan to be secured by pledge of the road's prior lien mortgage 4% bonds of 1986. Proceeds will be used to acquire Missouri, Kansas & Texas Ry. first 4s of 1990, and Missouri-Kansas-Texas RR. prior lien 4s of 1962, 4½s of 1978, and 5s of 1962.

• Pennsylvania RR.

Jan. 7 reported company probably will be in market shortly with a large offering of equipment trust certificates. Probable bidders include Halsey, Stuart & Co. Inc. and Salomon Bros. & Hutzler.

• Savoy Plaza, Inc., New York

The Sheraton Corp. of America will offer at public auction on Jan. 20, a block of 1,944 shares of class A common stock and 27,350 shares of Class B stock of Savoy Plaza, Inc. The court order permitting the sale has set an upset price of $507,708 for the stock. An earlier court order, applying to a sale planned for Sept. 20, had set a minimum price of $667,863.

• Seaboard Air Line RR.

Jan. 8 directors authorized the asking for bids for $3,000,000 equipment trust certificates.

UFE and A. M. Kidder & Co. Agree to Presence of Conciliator at Negotiations for Contract

Merlyn S. Pritzele, labor news editor of "Business Week," acting in capacity of temporary conciliator in case for U. S. Mediation Board, arranges compromise in dispute between AFL union and firm arising out of union's charge firm was negotiating contract in bad faith. The Financial Employees Guild, CIO, taking strike vote among employees of Title Guarantee & Trust Co. Union sponsoring bill at Albany which would make Saturday bank closing mandatory but without reduction in pay for employees.

The United Financial Employees, an AFL union, seeking to organize Wall Street's brokerage firms, has agreed not to press charges of bad faith in the negotiating of a contract which it has lodged with the U. S. Mediation Board against A. M. Kidder & Co. on the understanding that a conciliator acceptable to both the union and the firm be present at all negotiation conferences in the future.

It was Merlyn S. Pritzele, labor news editor of "Business Week," acting in the capacity of temporary conciliator in the case, who last Friday arranged the compromise between the union and the firm on the points of the dispute. Both the union and A. M. Kidder & Co. are now understood to be preparing panels of persons from which the conciliator is to be selected. Points covered in the union's original complaint against the firm include wages, union security and grievance machinery.

The Financial Employees Guild, CIO, announced Tuesday that it would recommend strike action at a meeting of the employees of Herzfeld & Stern of 30 Broad Street called for early last evening. The union claims the firm has refused to agree to salary increases, a 35-hour week, a job classification system, equal pay for equal work, establish minimum supper allowances for those who work overtime and increased vacations with pay.

The union has also revealed that strike votes have been taken or are under way among the 1,200 employees in the 10 offices of the Title Guarantee & Trust Co. in New York, Mineola, White Plains and Riverhead, L. I. Here also, the union claims the firm is refusing to grant adequate salary increases or to meet other union demands.

Threat of a strike against the Trust Company of New Jersey at Jersey City by this same union on Sunday resulted in the signing of a contract at 5:30 a.m. on Monday, three hours before the strike was scheduled to commence. The contract granted wage increases of $7.50 a week, a 39-hour work week and full pay on bank holidays.

In behalf of bank workers who are members of the union, the UOPWA is sponsoring a bill at Albany providing that all banks in New York shall be closed on Saturday. The bill, which the union says will be introduced shortly, would make Saturday closings mandatory and would provide that "no employee . . . shall receive any reduction in his weekly pay . . . or any increase in the number of hours heretofore worked on any weekday, by reason of such Saturday closings."

Our Reporter's Report

Investment bankers evidently have come to the conclusion that there is little satisfaction in undertaking a piece of business that will not produce a satisfactory return for the task.

At any rate there was growing evidence this week, a quiet period in other respects, that underwriters are in no mood to rush in and bid for an issue where the terms, arbitrarily set by the prospective issuer, do not offer the prospect for a profit.

This was the long and the short of the situation which brought about a ten-day delay in "opening of bids" on Birmingham Electric Co.'s 45,478 shares of 4.20% preferred stock.

It was another of those undertakings in which the company proceeded to lay down rather stringent restrictions, fixing the dividend rate already mentioned and informing bankers that no bid of less than par would be considered.

Well the upshot of the matter was that while four banking groups had been formed to seek the stock they all withdrew from the competition before bids were due.

Bankers lean to the view that they are in a better position to judge what the market will take than are the officials of companies seeking to sell an issue. And indications are that, very likely, there will be more veering away from new prospective issues where the vendor seeks to stipulate the terms of the bidding in such stringent manner.

Ten Days Hence

In bond market and banking circles the consensus seemed to be that there was little chance of Birmingham Electric Co. getting any bids for its issue unless there is a revision in the restrictions as they now stand.

Bankers who looked over the deal calculated that if they took the issue as a 4.20% dividend payer they would have to market it on approximately a 4.10% basis or at a price of 102½. This, they maintained, would offer too slim a margin considering the overall situation

Feeling was that the stock should have been accorded a dividend rate of 4.50% or thereabouts to assure its successful distribution. It will be worth watching to see what happens a week hence.

Portal Pay and Market

Thus far in the New Year there has been little sign of revival of underwriting activity. The new issue market is stagnant with little sign of an early break in the log-jam.

It is only natural for those who make a business of distributing new securities to look around for an explanation of the current dullness.

And at the moment belief is held in many quarters that the current state of affairs can be charged to the high-handed behavior of labor leaders and their manifold court actions seeking portal-to-portal pay.

In effect these interests feel that the portal pay suits have tended to upset the entire economy, perhaps only temporarily, but to a disturbing degree none-the-less. Should such actions be upheld in any great number the obligation placed on many companies would be more than they could stand, it is observed.

There is little disposition to issue securities under such circumstances, and naturally a lot less disposition to buy them if they should develop.

Power District Bonds

A week from next Tuesday, Jan. 21, the Omaha Public Power District board will open bids for $42,000,000 of electric revenue bonds, dated 1947. This should prove the real kick-off for the new issue market.

These bonds are to be issued to fund bank loans incurred by the authority to finance the purchase of utility properties acquired early last month from the Omaha Electric Committee, Inc., including Nebraska Power Co., last big privately owned utility in the state.

The issue will consist of $28,000,000 of serial bonds, due 1950 to 1967 inclusive and $20,000 in term bonds, maturing in 1977. O[illegible] the serials $950,000 would fall du[illegible] in 1950 with the annual maturity increasing about $50,000 thereafter.

Two with J. H. Goddard Co

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Clement [illegible] McCormack and Alden R. Well[illegible] have joined the staff of J. H. Goddard & Co., 85 Devonshir[illegible] Street.

Want a Maloney Act For Labor

(Continued from page 135)

members in collective bargaining, grievance matters and the like. Legislation authorizing registration could set forth whatever minimum standards Congress might think appropriate to insure that union affairs would be administered in a democratic manner and that individual members would be assured an opportunity to vote for officers and representatives of their own choosing and to express themselves freely on any proposed changes in the unions' articles and by-laws.

"Such legislation might also require that the unions' rules provide that no individual could be expelled or suspended from a labor union except after notice, a hearing and written findings which would be subject to review by a commission having functions similar to those of the SEC. If it were considered advisable, the rules might also be required to provide that no individual member of the union could be discriminated against by his union or its officers and agents.

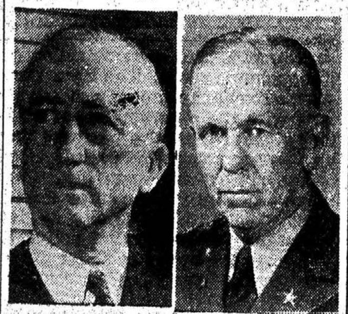
"Furthermore, labor legislation modeled after the Maloney Act would require that union articles and by-laws contain such provisions as are necessary to protect the public interest generally. For example, it might require that the articles and by-laws prohibit secondary boycotts, work stoppages, the use of violence in industrial disputes and the use of the right to strike as a political rather than an economic weapon. It also might require an undertaking in the form of a by-law provision, or otherwise, to the effect that the union would at all times be civilly responsible for its acts and for performance of its contracts.

"Such legislation might further provide that as a condition to the right to continued registration, [illegible], before striking, file [illegible] ommission a statement [illegible] ention to strike, to- [illegible] a statement showing [illegible] s they hope to obtain thereby. It might further provide that the right to strike would be absolute after a period of from 15 to 30 days from the filing of the statement of intention, at which time that statement would become effective. Presumably there would be no right in the Commission to suspend the effective date of a statement of intention unless it appeared that the proposed strike would violate the constitution, by-laws, rules or regulations of the union.

"If there are advantages in a scheme of labor union self-regulation modeled after the provisions of the Maloney Act, they would seem to lie in the fact that responsibility would be given to the unions themselves to see that their practices met the minimum standards specified by Congress. So long as that responsibility were properly discharged, there would be no authority in the government regulatory agency or commission to interfere in union affairs. It would only be when some union or some irresponsible labor leader disregarded its or his statutory obligations and duties under the fundamental articles of the union that a government commission would be authorized to take such steps as might be necessary to enforce compliance. Such steps might include suspension or cancellation of a union's registration, removal from office of an irresponsible official, or resort to the courts for injunctive relief. Furthermore, if such a plan were adopted, it would probably be [illegible]e, just as was done in the Maloney Act, to give to the unions [illegible] to others who might be affected a right of appeal from Commission decisions to the United States Circuit Court of Appeals."

Resignation of Sec. Byrnes—Gen. Marshall To Succeed Him in State Department

Unexpectedly announced at Washington on Jan. 7, the resignation of James F. Byrnes, as Secretary of State, brought not only an expression of "heartfelt regret" from President Truman, but universal regret was likewise voiced at Mr. Byrnes' decision to relinquish his post. Mr. Byrnes' intention to retire, made known by the White House (which it may be stated was first indicated to the President as early as last April, and again in December) was followed by the announcement Jan. 7 by Mr. Truman that Gen. George



James F. Byrnes Gen. Geo. C. Marshall

C. Marshall would assume the post of Secretary upon his return from China. The nomination of Gen. Marshall, sent to the Senate on Jan. 8 by the President, was speedily confirmed by that body the same day. Gen. Marshall, who left Nanking on Jan. 8, following a mision to China of over a year, was reported on that day, in Associated Press advices from Guam, as speeding toward Washington in his special plane. From Washington Jan. 8 the Associated Press noted that Gen. Marshall at 66, "is stepping into one of his most difficult and critical tasks. As Army Chief of Staff he did much to design the strategy of Allied victory." Continuing, the press advices from which we quote, said in part:

"As Secretary of State he [Gen. Marshall] will have possibly a greater responsibility — that of working with the foreign ministers of other major powers to complete the structure of peace.

"Secretary Byrnes, only little more than a year older than Marshall, attributed his resignation to doctors' advice early last year that he had to slow down. He said he could not remain Secretary of State and do that.

"Mr. Byrnes first asked last April 16 to be allowed to resign on July 1, expecting the European satellite peace treaties would be complete by then. This was revealed in an exchange of correspondence with President Truman made public with dramatic suddeness by the White House last night.

"When the treaties were not finished in mid-1946 Byrnes agreed with Mr. Truman to see the job through. It was finished in early December and on the 19th, Mr. Byrnes restated his desire to quit effective Jan. 10 or as soon as his successor was qualified.

"Accepting the resignation, the President gave his old friend a 'well done' and 'the thanks of the nation' for the achievements of his long public career.

"This had carried him through both branches of Congress, to the Supreme Court, into a wartime job as War Mobilizer under the late President Roosevelt, and finally to the State Department."

Likewise the Associated Press in its comments said that Gen. Marshall "was considered certain today to indorse and support Secretary of State Byrnes' foreign policy—including the firm stand toward Russia—when he replaces Byrnes in the top-ranking Cabinet post next week."

Burgess on Advisory Council From N. Y. Reserve District

Allan Sproul, President of the Federal Reserve Bank of New York in advices on Jan. 2 to member banks in the local Reserve District stated that at a meeting on that day the directors of the Reserve Bank selected W. Randolph Burgess, Vice-Chairman of the National City Bank of New York, New York, N. Y., to serve during the year 1947 as the member of the Federal Advisory Council from the Second (New York) Federal Reserve District.

Reserve Board Govs. Reappoint Dearmont

The Board of Governors of the Federal Reserve System has reappointed Russell L. Dearmont, St. Louis, as a Class C director and redesignated him Chairman of the Board and Federal Reserve Agent of the Federal Reserve Bank of St. Louis. Douglas W. Brooks, of Memphis, Tenn., has been redesignated Deputy Chairman, the St. Louis Reserve Bank announced on Jan. 2. The announcement further said:

"The following have been appointed directors of the branches of the Federal Reserve Bank:

"Little Rock Branch—Ralph E. Plunkett, President, Plunkett-Jarrell Wholesale Grocer Co., Little Rock, and Emmet Morris, Chairman of the Board, W. B. Worthen Co., bankers, Little Rock, Ark.

"Louisville Branch — Rosco Stone, farmer, Hickman, Ky., and A. C. Voris, President, Citizens National Bank, Bedford, Ind.

"Memphis Branch — Hugh M. Brinkley, farmer, Hughes, Ark., and, W. W. Campbell, President, National Bank of Eastern Arkansas, Forrest City, Ark."

The Board of Directors of the Federal Reserve Bank consists of nine members, six of whom are chosen by the member banks and three by the Board of Governors in Washington. Each branch has seven directors, four of whom are appointed by the Federal Reserve Bank and three by the Board of Governors.

Oscar T. Crosby Dies

Oscar Terry Crosby, one-time Assistant Secretary of the Treasury, died at the age of 85 at Warrenton, Va., on Jan. 2, according to Associated Press advices. A former executive of electrical and public utility companies, Mr. Crosby directed Belgian relief under Herbert Hoover in 1915, and in 1917 had charge of loans to Allied powers, as Treasury Assistant Secretary. Widely known as a lecturer and author of several books, Mr. Crosby was a fellow of the Royal Geographical Society of London, a commander of the French Legion of Honor and had received both the Belgian and Italian Orders of the Crown. He was a member of the Metropolitan and Cosmos Clubs of Washington and the University Club of New York.

Dunne With Bogardus

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Gerald A. Dunne, formerly with Dean Witter & Co., is now associated with Bogardus, Frost & Banning, 618 South Spring Street, members of the New York and Los Angeles Stock Exchanges.

The Stock Exchange's Opportunity

By COL. HERBERT G. KING
Member, New York Stock Exchange

Commenting on the "new atmosphere" in Washington, Col. King asserts domestic business picture, labor situation, tax outlook, foreign trade and political horizon look very bright and Stock Exchange is bound to benefit from these conditions and all this will create a great boom for Wall Street. Looks for restoration of margin trading and greater appreciation of work of Stock Exchange, and sees opportunity for greatly increased listings of securities, arbitrage transactions, and closer cooperation with Treasury and Federal Reserve Board.

The New York Stock Exchange is approaching the greatest opportunity in its history. Several factors are taking shape, which if properly taken advantage of, will permit the Exchange to enjoy a period of great prosperity and give its members a very healthy boom for several years to come. In fact, not for many years has there been such a golden opportunity and I am sure that it will not be missed.

Col. Herbert G. King

First, after talking with five Cabinet members, leaders of the House and Senate and heads of Government agencies, it is my opinion that the greatest thing that has happened to this country in many years was the outcome of the Nov. 5 elections. There is now an entirely new atmosphere in Washington. No longer do you hear about new proposals to legislate against and hamstring business. The honest hard working business man is now regarded as an integral part of our economy and the backbone of our nation. Gone are the sneers and references to economic royalists.

Everybody believes that there will be legislation passed that will prevent the excess of strikes and abuses of labor unions. With the advent of union responsibility will come the opportunity for industrial peace, increased production and continued employment. There will be a cut in taxes. It may not amount to 20%, as it is now hoped, but it will be enough to increase entrepreneur incentive and give him a chance to accumulate something. There is a realization that the war is over and that the burdensome restrictions must be removed as soon as possible. The domestic business picture, labor situation, tax outlook, foreign trade and political horizon look very bright and the Stock Exchange is bound to benefit from these conditions. The Government will no longer be conducting a private banking business with the Reconstruction Finance Corporation and other leading agencies and capital needs will be satisfied in proper financial channels, which will be a great boom for Wall Street.

Second, every official with whom I talked felt that margin trading should be restored. It was also felt that Mr. Eccles' days as head of the Federal Reserve Board are numbered and that he will be replaced by a Republican. It is the general opinion that a new and enlightened administration of SEC will be more cooperative in the future.

Third, the conduct of the Stock Exchange and its membership throughout the war period has earned a greater understanding and appreciation on the part of the public, as well as public officials. As the only auction market in the world to function with a free and orderly market during the war, without ever being forced to close down, it has compelled respect from all. Anyone who has had the opportunity to talk to people from all over the country cannot help but feel the change in the public's feeling toward brokers.

The Stock Exchange's big opportunity will start by endeavoring to greatly increase its listings. An attempt should be made to list the stocks of hundreds of more companies. Now that we have the SEC, perhaps a great part of the preliminary policing formally done by the Exchange could be left to them and the Exchange can concentrate primarily on making markets.

With the restoration of international markets and stabilized currencies, arbitrage transactions will be resumed and they will be a source of considerable business. The heads of the Exchange must work very closely with the Secretary of the Treasury, the Chairman of the Federal Reserve Board, and the New York Federal Reserve Board. A close mutual understanding and appreciation of their problems will tend to prevent any future arbitrary moves such as that which abolished margin trading.

Some of the irksome restrictions on floor traders will have to be removed. The Exchange must make good markets and legitimate trading should be encouraged. The most vital thing in our economic structure is marketability. When the public wants to sell they must be able to do so.

The New York Stock Exchange is one of the greatest institutions in the world. No where else is business conducted with such a high degree of personal honor and responsibility, where all transactions are open to the eyes of everyone and are made a permanent part of public record.

The Exchange has a wonderful chance to go ahead. New York is now the financial capital of the world. Its continuance will revolve around the Stock Exchange and I for one feel confident that the Exchange, with its far-sighted and very able management, will make the most of its golden opportunity.

All of Wall Street Doesn't Agree With Schram Haskell's Registration Should Be Canceled

By EDMOUR GERMAIN

Many believe Stock Exchange should concern itself with maintenance of ethical standards in the business and not be so apologetic over so-called gambling in securities. If Stock Exchange has right to cancel registration of employee of member firm merely because he expresses his opinion on some subject, then that right should be taken away from the Exchange, they say.

Judging from the comments made by most brokers interviewed, it would appear that many in the New York financial community did not approve of the announcement on Tuesday by Emil Schram, President of the New York Stock Exchange, and given wide publicity in the New York metropolitan press yesterday morning, that the registration of William H. Haskell as a registered representative has been canceled because, in General Sessions Court on Monday, Haskell, a customers' broker for E. F. Hutton & Co., members of the New York Stock Exchange, stated that he was in the "gambling" business himself.

Called as a prospective juror in the trial of Alvin J. Paris, charged with attempt to bribe two professional football players, Haskell explained to the court that he did not feel he could be an impartial juror because, in his own words, "I'm in the gambling business myself." In his announcement, Mr. Schram gave as justification for the action that had been taken against him that "Mr. Haskell has a misconception of the business in which he has been engaged."

The managing partner of the Hutton firm by whom Haskell was employed, stated yesterday that Haskell had been "a good producer" and had always observed the highest ethics of the business, "or else he would not have been hired by this firm." However, he severely condemned Haskell for making the statement he did and said that if the Stock Exchange had not expelled him from the business, the firm would have. Haskell was employed by the Hutton firm for the past ten years.

There were many on Wall Street yesterday who doubted whether the Stock Exchange had the right to cancel Haskell's registration on the grounds given. The New York Stock Exchange should concern itself with the maintenance of ethical standards in the business and not be so apologetic over so-called gambling in securities, they thought. Since when, they asked, must Wall Street apologize for engaging in speculative activity? Whether the buyer or seller of securities is "gambling" or "speculating" is very much a matter of choice of words, they said, and speculators serve a useful economic function.

If the Stock Exchange does have the right to cancel the registration of a man like Haskell merely because he expressed his views on some question (it is immaterial what the question is), then that right should be taken away from the Exchange, they thought.

Mr. Haskell has three children and resides at 133 East 80th St., New York City.

Chas. Hoerger Partner In Webster Dougherty

PHILADELPHIA, PA.—Charles E. Hoerger has been admitted to general partnership in A. Webster Dougherty & Co., 1421 Chestnut Street. Mr. Hoerger has been with the firm for some time in the trading department.

Graham, Parsons Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Henry T. Freeland has been added to the staff of Graham, Parsons & Co., 10 Post Office Square.