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Recession Inevitable With Higher Wages, Says Henry Ford, 2nd

Prominent industrial executive says prices are already too high and wages cannot be raised without further price increases. Advocates legal regulation of labor unions and contends no practicable guaranteed annual wage plan exists today.

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WASHINGTON, Jan. 12—Henry Ford II today declared that the price level in the United States is "too high."

Henry Ford, 2nd

In an exclusive interview with the North American Newspaper Alliance, the 29-year-old head of the Ford Motor Co. asserted that an economic recession is inevitable "if people continue to believe the fallacious notion that we can pay higher wages at this time without raising prices."

Ford's views regarding the price level were particularly significant in the light of a statement made Friday by John R. Davis, Vice-President of the Ford Co., that it is planning to put a new low-cost car on the market this year.

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An Affirmative Program

By HON. ROBERT A. TAFT*
United States Senator from Ohio

Republican Senate leader declares Congress' primary task is reducing and ending controls. As labor policy favors (1) voluntary collective bargaining rather than compulsory arbitration, which would inevitably lead to government price-fixing and a regulated economy; and (2) fixing of union responsibility. Believes budget can be limited to $33½ billion; that total personal income tax burden should be reduced by 20%, with excise taxes retained, with resulting surplus of $2 billion for reduction of national debt. Federal aid to states should leave administration thereof to latter, and amount thereof should be limited.

It is an honor to speak before such a distinguished gathering whose presence here indicates at least an interest in economic problems. There has never been a time when an understanding of economic problems was more important than it is today, because an intelligent knowledge of economics is necessary to guide nearly every political policy. Government has become involved in nearly every business matter. Almost too much emphasis is placed on the economic condition of the people as almost the sole concern of government to the exclusion of issues of morals, religion and individual liberty. While I do not entirely agree with this popular emphasis, I have to admit that the program I am going to discuss, like every other political program of today, is concerned almost entirely with the economic condition of the American people.

Robert A. Taft

(Continued on page 289)

*An address by Sen. Taft before Economic Club, New York City, Jan. 9, 1947.

Today's Economic Factors Confronting Management

By MURRAY SHIELDS*
Vice-President, Bank of the Manhattan Co.

Economist holds that while we have immediately ahead a severe readjustment, the revolution in industrial technology is capable, in time, of removing the threats of economic maturity, underinvestment and declining purchasing power, and of providing a basis for new heights of prosperity. For the post-readjustment period he predicts high production volume, intense competition, higher prices than prewar and rising interest rates.

The period ahead is likely to present to marketing executives many difficult problems and a challenging opportunity, for this is an era when our markets are subject not only to the vicissitudes of wide cyclical fluctuations, but to deeply significant structural change as well. And it perhaps is even more true today than it has been in the past that the measure of success of an individual business will depend on the skill with which it adapts its operations to the economic environment in which it operates, the care with which it avoids the pitfalls of an uncertain future, and the aggressiveness with which it takes ad-

Murray Shields

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*An address by Mr. Shields before American Management Association, New York City, Jan. 9, 1947.

Free Enterprise and the Future

By HON. W. AVERELL HARRIMAN*
Secretary of Commerce

Taking note of drift toward socialization in Europe, Secretary Harriman ascribes it to desire for security. Says European peoples, particularly British, appear willing to sacrifice progress for security, but in U. S., he points out, attitude is for free enterprise and progress as well as security. Sees foreign nations dependent on stable economy in U. S., and asserts challenge of our free enterprise is to maintain stability and prevent business fluctuations. Urges U. S. take leadership in world prosperity as best insurance of a peaceful world.

W. Averell Harriman

After your President had invited me to be with you tonight I began to wonder what you would want me to talk about. In my quandary I turned to that source of great wisdom—my old friend Dr. Charles Kettering. Now you all know that "Ket" believes that every man should work out his own problems. But he is always generously willing to point out the general direction one should follow. So when I asked him my question he replied simply, "You have been traveling around the world quite a bit lately. They will want to know what's going on and what you think about it." Then while I was thinking over this rather tall

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*An address by Secretary Harriman before the Society of Locomotive Engineers, Detroit, Mich., Jan. 8, 1947.

The Economic Outlook and Its Effect on Retail Distribution

By JULES BACKMAN*

Associate Professor of Economics, New York University

Dr. Backman holds present situation is fundamentally stronger than after World War I and any recession now will be moderate and temporary. Says retail sales are at peak, and profit margins will be smaller, because of increased operating costs. Foresees no heavy inventory losses, but predicts decline in prices in months ahead. Cites wartime increase in lower bracket incomes as a favorable factor, and poses industrial strife as difficult problem ahead. Predicts more careful buying by consumers.

Businessmen have been swamped with warnings that we face a repetition of the 1920-21 collapse. I am one of those who believes that *the situation today is fundamentally stronger than it was after World War I and that any recession will be very moderate and temporary in nature.* Nevertheless, I felt that it would be interesting to check what happened at that time.

Jules Backman

Data for that earlier period are very limited and inadequate. The Federal Reserve Board index for department store sales averaged 99 in 1920 and 92 in 1921—a decline of only 7. If the comparison is made between the high month of 1920 and the low month of 1921—after allowance for seasonal adjustments—the decline was from 105 to 87 or 17.1. In contrast, one authority estimates that gross income of the retail trade declined 20 from 1920 to 1921.

In 1937 and 1938, we also had an abrupt decline in business. By an interesting coincidence, the Federal Reserve Board index of department store sales in 1938 was 7% lower than in 1937. This was exactly the same decline as in 1920-21. For all retail trade, the decline was about 10 from 1937 to 1938. Neither of these declines was comparable to the collapse after 1929 when department store sales fell 38%.

What would a decline of 7 from the 1946 total mean when applied to the index of department store sales. Well, the index averaged 263 in 1946. A decline of 7 would bring the index down to 245—or moderately below the level prevailing last Spring, 22 above the level in September, 1945—after VJ-Day, 84 higher than in 1941 and about 2½ times the prewar level. A decline of 20 would reduce the index to 210 or 5 higher than in September, 1945, about 60 greater than in 1941, and more than double the prewar total.

Let me make it clear, I am not forecasting a decline of these magnitudes, I am merely attempting to show you what would happen if the pessimists are right and a decline similar to that in 1920-21 or 1937-38 should take place.

1920 Inventory Losses

It may be asked, if the declines were as moderate as you indicate, then what was the problem in 1920-21. The answer, of course, is inventory losses. The moderate decline in sales in 1920-21 was accompanied by a collapse in prices. The wholesale price index fell from 240 to 140, or 100 points in one year. The result was enormous inventory losses. The liquidation was speeded up and aggravated by a tight credit situation

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*Address by Dr. Backman at the Open Forum Luncheon of the Association of Buying Offices, Inc. of the National Retail Dry Goods Association, New York City, Jan. 13, 1947.

What Business Faces in 1947

By LEO M. CHERNE*

Executive Secretary, Research Institute of America

Economist states if recession comes, it will result from business community's bearish psychology rather than real facts. Notes improved outlook in strike situation, because of: (1) depletion of union treasuries; (2) labor's as well as government's desire to avoid actual strikes; and (3) labor leaders' unwillingness to stimulate repressive legislation. Holds peak of wage demands has passed; and war possibilities have greatly diminished. Accuses businessmen, now about to get the competitive system for which they had clamored, of fearing it because of the concurrent extinction of government guarantees.

There have been very few times when I have been as hesitant in talking about the period ahead as I am today. The reason for my hesitancy is frankly this—the facts add up to one prospect, and the attitudes in the minds of American businessmen add up to another prospect. In the contest between those two possibilities, the doubt as to which will win is greater than at any time in our recent economic history.

Leo. M. Cherne

One of the advantages of having just a few minutes to talk is that you don't pull any punches. The two possibilities I have been talking about are, roughly as follows:

Quite frankly, I don't see the possibility of a recession in 1947 in terms of any of the real problems facing us ahead. But I do know that for several months, almost unanimously, the Business Community has been certain that the recession would come in 1947. Like the cry of "Fire" in a crowded theater, it frequently doesn't make much difference whether there is a fire, the number of casualties can be the same. And if enough businessmen expect a recession and plan on it and communicate their feelings, the most wonderful set of economic circumstances may be as nothing.

Now, for those who don't recall, I would like, at this point, to remind you that I have acquired an unenviable reputation of being a pessimist, and it is a pessimist telling you that the business pessimism of the last few months is almost fantastic. May I now take up some of the problems in some of the specific fields, to see how much reality there is to the fear in those areas.

Outlook for Strikes

First—and obviously primary—the fear of strikes. I think there are several things to be said about strikes in 1947. For one thing, there will as a matter of certainty be strikes.

Secondly — no legislation that will be passed by the present

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*Transcript of a talk by Mr. Cherne before Sales Executives Club, New York City, Jan. 7, 1947.

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The Outlook for Stock Prices

By ANTHONY GAUBIS
Investment Counselor

Analyst cites various factors indicating favorable market status compared with 12 months ago. Weighs current outlook based on bullish and bearish elements. As former lists: satisfactory earnings prospects; attractive yields; favorable political atmosphere; tax reduction; easy credit; pent-up demand for goods; and better labor legislation. On bearish side finds: price readjustments; excess productive capacity; swollen inventories; large potential supply of new issues; and public's pessimism. Concludes market will move selectively higher over coming quarter; may remain in a trading area during second and third quarters; and then resume its major bull trend.

Anthony Gaubis

In many respects, the background of the stock market at the present time is in direct contrast to that prevailing in January of 1946. Among the most striking contrasts are:

Jan. 15, 1946 (Dow Jones Average 203)	Jan. 7, 1947 (Dow Jones Average 178)
1. Industrial stock prices at 17 times earnings in prospect during the next twelve months, a fairly high ratio.	1. Stock prices at only about 12½ times earnings in prospect for the next twelve months, a fairly low ratio.

(During the 10 years 1936-1945, the average annual high price-earnings ratio was 16.9, while the average annual low price-earnings ratio was 12.5.)

2. Extreme confidence in the intermediate outlook for business and profits.	2. General expectation of a business recession.
3. Fairly rigid price and priority controls.	3. Reduction in number of Federal controls in effect.
4. Continued dominance of radical New Deal elements in Federal Government.	4. New appointees to Department of Commerce, Treasury, etc., generally satisfactory to business.
5. Strong position of labor, both because of wartime savings and the attitude of the Administration.	5. Weakened position of labor, because of reduced savings and less one-sided attitude of Government.
6. Increasing restrictions in the use of credit for security transactions.	6. No further restrictions possible; prospect of some easing.
7. Serious reconversion problems and low labor efficiency.	7. Reconversion practically complete, and labor efficiency materially improved.
8. Fear of renewed hostilities (culminating with subsequent Winchell report forecasting war before Christmas).	8. Definite easing of war fears.
9. Extreme shortages of virtually all types of raw materials, including lumber, copper and steel.	9. Some shortages still present, but situation greatly improved.
10. A "bull market" of forty-four months' duration, with only one correction of as much as 10%.	10. A considerably strengthened technical position, after a decline of between 30% and 40% in the average stock, and of more than 50% in many speculative issues.

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What the New Congress Means to the Investor

By FRANKLIN ESCHER
of Dresser & Escher

Asserting investors have been kicked around so much they can't appreciate their new freedom, Mr. Escher maintains Congress can and probably will eliminate danger of serious strikes and, if this is accomplished, 1947 "is going to be a big year" and good time to buy stocks.

Every schoolboy is familiar with the story of the old man who had been locked up in the Bastile for so long that, when the day of liberation came, he was afraid to go out into the world and begged only to be allowed to remain in his prison cell.


Franklin Escher

A good many investors, it would seem, have come to have something of that same feeling. Kicked around without mercy for 14 years, they don't yet seem able to appreciate that on last November 5th *their* prison door, too, was swung open. The complete change in their position, apparently, is too much for them. They just can't appreciate that it has really happened.

That *what* has happened? That a new administration of government has taken over, which, instead of being hostile, is actually *friendly* to the business man and the investor.

Not so fast, we hear someone say; are you quite sure that the incoming Republican legislature is going to be able to deal successfully with the mess in which the country has been left by those who have been having their way with things for all these years? How about the debauchery of labor—the practical impossibility of getting a job decently done; the new car that's no good; the double wages being paid for half the work? How about John Lewis and Murray and Reuther and the new crop of threatened strikes? Is it quite safe to assume that the new Congress has the means of pinning the auricular appendages of these gentlemen securely to the sides of their heads?

Our opinion, given for what it's worth, is than Congress *has* the power to do just that; that the leaders in Congress are, as they say Down East, fixing to do just that. Not, of course, to legislate against Labor or the labor unions as such, but to take away from such leaders as Reuther and Lewis and Murray the unconscionable power which was sold to them in exchange for a lot of votes. They never had it before they were able to make their unholy pact, and there's no reason why they should have it now. It would have been taken away from them by the operation of the Case Bill, which Congress passed but which President Truman saw fit to veto, and it can be taken away from them by similar legislation which Congress seems now most definitely set to pass. Another presidential veto? This, remember, is *after* the

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BUSINESS BUZZ

"Tell Stinky Davis that Droopy Drawers O'Toole who went to P. S. 17 with him is here!"

Taxes on Stock Transfers by Non-Members of an Exchange

New York intra-state tax on stock transfers by non-members of a securities exchange described. Interpretation of its pertinent regulation by State Tax Commission evaluated. Ruling not supported by text of regulation. Freedom of action to use clearing agent and at the same time clear independently by use of gummed stamps, advocated.

An interesting and significant ruling has developed in relation to the payment of stock transfer taxes (without gummed stamps) on sales executed within the state by dealers who are not members of a securities exchange.

This system of payment by check was first invoked by the Stock Exchange.

It has come to our attention that one of the trust companies which clears for many over-the-counter dealers then sought permission from the New York State Tax Department to pay by check for all taxes due on stock transfers cleared by them within the State of New York rather than buy gummed stamps.

The State Tax Commission finally consented that clearing agents of over-the-counter securities may pay such taxes by check rather than gummed stamps.

In the process, dealers were required to sign authorizations that transactions of this type be handled in that manner through their clearing agents.

After a clearing agent had once been so designated as such by a dealer the question arose as to whether or not the dealer could continue to clear a portion of his business

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Washington... And You

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

President Truman will be rebuffed by Congress on at least two major planks of his 1948 fiscal year platform. (1) His $37 billion budget will be flattened to a level somewhere between $34 and $35 billion. (2) His plea for continuation of all existing taxes will be denied.

Lawmakers are not pleased by the 37 billion dollar design, are ready to cut the budget until Federal spenders are hurt and hurt badly. Actually, the prospect of bureaucratic blood-letting is viewed with some glee by Capitol Republicans. It wouldn't be surprising if this punishment went so far that transfusions in the form of deficiency appropriations became unavoidable late in fiscal 1948. Extremists are in control.

* * *

It now looks as though labor legislation may not be so punitive as was indicated during the coal strike. But this outlook can change, will change if big strikes burgeon again. Wagner Act amendments giving employers more rights, giving labor more responsibility are assured. Industry-wide collective bargaining and closed shop restrictions are certain. Cooling off periods will be imposed and welfare strikes will be controlled. Elsewhere, the shape of things is less apparent.

* * *

First labor legislation reaching the White House will deal with portal-to-portal pay. This will probably (1) so define portal pay as to restrict it to prework preparatory operations actually required by employers, and (2) limit the recovery period. Such pay won't be forthrightly outlawed.

* * *

Tax outlook remains blurred. Ten to Twenty percent individual income tax cut will almost certainly be voted by House. Senate position is less positive. Important House leaders are now ready to dicker with the unwilling, to continue wartime excise imposts another year in return for 20% votes.

* * *

Late 1947 or early 1948 should dangle before American finance (Continued on page 301)

SEC and a Free Securities Market

By RICHARD B. McENTIRE*

Commissioner, Securities and Exchange Commission

After reciewing background of Securities Laws, Commissioner McEntire expresses view "none of us want to go any further than necessary." Explains new Rule 131 which aims to accelerate and clarify distribution of "red-herring" prospectus, and stresses desirability of getting information directly to investor. Says customer expects more from securities dealer than from corner grocer, and cites importance of gaining customer's goodwill. Reveals efforts being made to simplify both registration statements and prospectus and concludes a free market in securities must mean an honest market.

Being a mid-westerner myself, I feel quite at home here in Chicago, and therefore, I would like to talk very frankly to you this evening. If I may say a purely personal word, I trust that I came to the SEC with an open mind and with an objective approach. At least, to the best of my ability, I attempted to do so. Being only human, I took to it my own particular philosophy. As part and parcel of my personal background I have always believed, and I believe now, that in its contacts with commercial and economic matters the role of government is that of the disinterested and impartial umpire, and that the orderly conduct of any activity, whether it be in sports or in business, depends upon having a referee to insist upon compliance with the rules and to assess the penalties for infractions. That does not mean, however, that the referee should call the plays, or should carry the ball.

Richard B. McEntire

You all know of the SEC and its work. I want to talk with you, however, about some things you aren't able to get from releases, opinions, orders, prospectuses and registration statements. I do not lay claim to an intimate knowledge of these matters based upon any long connection with the agency, as I have been on the Commission for only about eight (Continued on page 300)

*An address by Mr. McEntire before the Illinois Securities Dealers Association, Chicago, Ill., Jan. 15, 1947.

Observations . . . .

By A. WILFRED MAY

THE STOCK EXCHANGE "12 YEARS AFTER"

Investment Market?—Speculation Machinery?—Gambling Parlor?

Apparently Puritanism still remains as an endemic American trait. For a customers' broker's casual characterization of his occupation as "a gambling business" caused such a self-imposed sense of embarrassment to the Stock Exchange's officialdom, that it "fired" him on the instant.

Apart from the gem for journalistic "ribbing," which the Haskell *cause celebre* gratuitously furnishes, it does carry serious implications bearing on the American people's concept of, and attitude toward, the nature of their activities in securities.

A. Wilfred May

Basically, the present event follows the fundamental difference between European regulatory philosophy and our federal securities regulation—as revealed in the Securities Acts of 1933-'34 and in SEC administrative policy. For underlying the regulatory thinking abroad is a thoroughly *sophisticated* attitude recognizing the impossibility of eliminating risk from "investment" activities. Whether it be in London's Shorter's Court or its most staid banking house, or on the Bourses of Paris or Amsterdam, there has never been any inhibition of the concept that the equity share—be it Royal Dutch or the newest wireless invention—is a "counter" in the quest for market winnings. (In line with the British concept of capital gains being fortuitous, is their continuing exemption from income taxation, in contrast with our tax levy thereon.)

In line with British realism on the subject, the conclusions resulting from the British Board of Trade's major inquiry into Share-pushing in 1937, were summarized at the time as "a statement that share-pushing can't very well be prevented, and that therefore no really frantic steps need be taken to try and prevent it."

Further symbolizing the realistic British attitude is the fact that the only legal sanctions to stock exchange dealings arise from their Gaming Act of 1845 and provisions of the criminal code.

At the time of the formulation of our own New Deal securities regulation, an attitude of frank realism was also envisaged as the basis of the 1933 and 1934 laws. In order to avoid the public's potential harmful inference that government supervision would infer safety, it was stated again and again that *disclosure* of the true facts—without relevance to quality of securities—was to be adduced by the government. In other words, the government was not to stop "the game," but to see that the "wheel" was not crooked. But in recent years the SEC itself in its administrative policies has been departing from such philosophy. For example, in its activities supervising new issues under the 1933 Act, the Commission has seemingly used its discretionary power to refuse to agree to accelerate registrations, thus causing issuers to miss their market, in cases where it disapproves of a security's worth.

* * * *

Did Mr. Haskell's Conduct Perhaps Really Merit Promotion?

In the sphere of "disclosure," it seems that customers'-broker Haskell functioned in a statesmanlike manner. For if his attitude toward his clients followed his frank pronunciamento to the Judge, he was honestly "disclosing," for their own benefit, the kind of activity in which he was servicing them. (For which constructive behavior he perhaps should have been promoted.) Or in order to

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NYSE Board of Governors Scheduled to Vote on Permissive Incorporation Amendments Today

By EDMOUR GERMAIN

Question has been subject of heated discussion among members of Exchange since last spring.

At last, it would appear that the Board of Governors of the New York Stock Exchange is ready to take definite action on the question of permissive incorporation. Announcement has been made by the Maynard Committee which is opposed to the issue that the Board is scheduled to vote on the matter at its meeting today.

Ever since last Spring, the question has been debated among the members of the Exchange. The Board itself first took up the question in the early Fall but, it is understood, yielding to the pressure exerted by those who favored the issue, saying they wanted more time to discuss the various points to be considered, the Board postponed its decision then and, at successive monthly meetings, kept on postponing it. Ordinarily, the Board discusses all matters of policy at its first meeting of the month. Before the question can go to the entire membership, the Board of Governors must first approve of the matter themselves.

The subject of permissive incorporation has become a very boring theme among the Exchange

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Without Labor Strife, 1947 a Good Year: Nadler

New York University professor sees no serious depression ahead, but says some recession of short duration may occur in "soft" goods. Sees lower prices as greatest problem.

Falling prices, increased production, and general labor peace for 1947 were predicted by Professor Marcus Nadler of New York University in his annual forecast to the New York University Men in Finance Club at a luncheon in New York City on January 10.

Dr. Marcus Nadler

"Barring serious labor difficulties, 1947 ought to be a good year," Professor Nadler said. "It is highly doubtful whether this year will witness a round of strikes of the same magnitude as occurred during the early part of 1946.

"With the accumulated demand for housing, durable goods, machinery and equipment as great as it is at present, and the vast liquid savings in the hands of the people, no depression can be expected in the immediate future.

"If a recession should take place later on in the year, it will be primarily in soft goods and should neither be pronounced nor of long duration.

"High business activity in durable goods, accompanied by considerable construction of homes, will generate purchasing power which should affect favorably all phases of the economic life of the nation.

"The greatest problem that confronts the country is to reduce prices. Agricultural prices are altogether too high and while a decline has already set in, further decreases may be expected, particularly in the second half of the year.

"There will also undoubtedly be a decline in prices of apparel, accompanied by an improvement in quality. A decline in the cost of living will have a favorable effect on the nation as a whole since it will increase real income of all people.

"The removal of bottlenecks and shortages and the ensuing increased efficiency may result in a decline in prices of durable goods during the second half of the year.

"It is of the utmost importance that a further spiral between prices and wages be avoided. Such a development would not benefit even those whose income has increased and certainly would be disastrous to those whose income has remained more or less stationary throughout the war period.

"The movement of interest rates and the policies of the monetary authorities will depend primarily on business activity, the movement prices, the volume of loans and the return flow of currency. It is fairly certain, however, that the 2½% rate on long-term government obligations will definitely be maintained although an increase in other rates, reflecting primarily increased risks, may be expected.

"So long as inflationary dangers are prevalent it would be unwise to reduce taxes, notably excise and luxury taxes. It is more important to balance the budget and to reduce public debt than to reduce taxes.

"The year 1947 will be one of decision.

"During it, important treaties of peace will be negotiated, labor legislation will be passed and the foundation may be laid for business developments during the next few years of prosperity.

"It is of the utmost importance that these years of good business be utilized to prevent sharp swings in the business cycle, when the pent-up demand for all kinds of commodities has been met, when foreign competition is keener, and when the nation has to live on current income."

Will Sterling Be Made Convertible?

By PAUL EINZIG

Dr. Einzig points out restoration of the convertibility of sterling, as required by the Anglo-American Loan Agreement, is dependent on ability of British to persuade nations holding blocked sterling balances to scale down their claims. Sees little probability of this and concludes premature restoration of convertibility of sterling would lead to its early abandonment. Sees British endeavor to obtain from U. S. an extension of time limit for effecting convertibility of sterling.

Basle, Switzerland.—A British mission is about to leave for India in order to negotiate the settlement of the £1,400,000,000 of blocked sterling balances held on India's account. This is the first important move toward the restoration of the convertibility of sterling which has to be effected by July according to the terms of the Washington Loan Agreement of Dec. 6, 1945. There can be no question of making sterling convertible unless the abnormal war balances are first consolidated into a long-term liability. And since Indian balances represent nearly half of the total, the success of the funding mission is of considerable importance from the point of view of the prospects of the convertibility of sterling.

Dr. Paul Einzig

It would be idle to pretend that the outlook for an agreement is favorable. Britain cannot afford to come to a settlement unless India is prepared to agree to a drastic scaling down of the total. And so far everything seems to indicate that the new Government of India is not prepared to agree to any substantial cut. The divergence of views between the two parties is so wide that the mission is foredoomed to failure. It was probably undertaken as a gesture to show Britain's willingness to settle on reasonable terms. One of the major difficulties of a settlement is Britain's inability to

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Foundations of a Free Economy

By HENRY HAZLITT*
Associate, "Newsweek" Magazine

Stressing free markets as foundation of a free economy, Mr. Hazlitt urges a free labor market, without governmental interference or compulsory arbitration. Also advocates elimination of credit controls, such as Federal Reserve's power over interest rates, volume of money, and credit, and denounces foreign lending by Export-Import Bank. Holds present government policies prolong inflationary boom conducive to deeper depression. Holds rent controls retard building and distort economy. Concludes industrial workers are primary beneficiaries of great corporations.

The foundation of a free economy, the foundation of all economic freedom, is the free market. What is the free market? It is the market which gives freedom both to producers and to consumers. The consumer is free to buy what he wishes, to buy as much of it as he wishes, to buy it when he wishes, and to buy it at the price he is willing to pay. The producer is free to make what he wishes, to make as much of it as he wishes, to make it when he wishes, and to charge whatever price he can get or whatever price he thinks it wise to ask.

Henry Hazlitt

He is subject to only one or two restrictions. He is not allowed to interfere with the freedoms of other producers, with the freedoms of workers, or with the freedoms of consumers. He cannot use force or coercion and he cannot practice fraud. He must be honest in representing what he has to sell, whether by advertising or word of mouth. He must scrupulously live up to his promises and contracts. All competition must exist within a framework of law and order which protects everyone alike from the coercion, misrepresentation or broken promises of others. But the most prosperous economy is the freest; and the protection against violence, force and fraud are essential to make an economy free.

*An address by Mr. Hazlitt before National Retail Dry Goods Association, New York City, Jan. 13, 1947.

U. S. Now Has "Most Free" Economy

By his courageous action a few months ago in striking down first the price controls on meat, and later the price controls on nearly everything else, President Truman took the greatest step toward a free economy that has been taken by any nation that participated in the last war. Apart from a few neutrals, as typified by Switzerland, the United States has now the most nearly free economy of any great nation in the world.

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UFE Reorganizing on Basis of Recent AFL Affiliation

The United Financial Employees will elect officers today in a general reorganization being carried out under the terms of the new constitution and by-laws adopted since affiliation with the AFL. Balloting will be conducted in the new enlarged offices of the union on the third floor at 40 Exchange Place and will last from 8:30 a.m. to 6:30 p.m. Officials to be chosen include shop committeemen, shop stewards, four administrators (one for each of the two major Exchanges, one for the Commodity Exchanges and one for the member firms), ten representatives to sit on the Board of Managers which is responsible for all union activity between meetings, and three trustees to conduct quarterly inspections of the books of the secretary-treasurer.

The dispute between the Financial Employees Guild, United Office & Professional Workers of America, CIO, and Herzfeld and Stern which resulted in a unanimous strike vote of the organized employees of the firm last week has been taken to the New York State Board of Mediation for settlement.

A contract was signed Tuesday afternoon between the Financial Employees Guild and the Title Guarantee & Trust Company providing a $6 general increase in wages, a 35-hour work week and other benefits, such as paid hospitalization and group insurance, for 1,200 employees of the company. The agreement was reached in the morning after a 13-hour session at the offices of the New York State Board of Mediation at 270 Broadway. The employees had voted almost unanimously a week before to strike if demands were not met.

A New Utilitiles Publication

A new weekly financial letter on public utilities has been announced by Public Utilities Reports, Inc., publisher, Munsey Building, Washington, D. C. First issue of the "P. U. R. Utilities Financial Letter," edited by the firm's special financial staff in New York City but released from the Nation's Capital, was sent out Jan. 1, 1947. The new service presents a weekly appraisal and summary on matters relating to public utility finance, including security markets, earnings and dividends, latest developments on holding company integration plans, current and pending financing, etc. The subscription price is $25 per annum.

American Business in 1947

By A. W. ZELOMEK*
Economist, International Statistical Bureau, Inc.

Asserting we are enjoying an inventory replacement boom, Mr. Zelomek predicts a business recession when this accumulation ends. Foresees, however, no serious depression as in 1929-32 because of strong position of capital and durable goods industries. Says position of textile-apparel industries is deteriorating rapidly and prices are so high that present scale of business activity can continue only for a few months. Concludes outlook is not frightening and an adjustment of prices to potential consumption is more important than increasing production.

Gentlemen, I am at a loss. If I now talk to you with unqualified optimism, I shall be a traitor to my own convictions. Yet the President's Council almost implies that it will be treasonous to estimate the extent or timing of a coming business setback. To do so will give you gentlemen a definite schedule on which to fix your minds; presumably you will then leave this meeting and go about your affairs in such a way as to make my prophecy 100% right.

A. W. Zelomek

*An address by Mr. Zelomek before the Rotary Club of New York, New York City, Jan. 9, 1947.

Gentlemen, I am at more than a loss. If it were not so early, I would almost say that I am speechless. My only chance to avoid this awful responsibility is to frame my remarks in such a way that you gentlemen will reach your own conclusions.

Simple Logic of the Business Outlook

I have no argument with anyone who predicts that the various averages of business activity will be high in 1947; they begin the year with such increases above a year ago that this is almost certain to be true. But I object strenuously when I read serious statements made to the effect that the present inventory replacement boom will be followed by no more than a mild dip in business activity. Such statements are an open

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Public Utility Securities

Central & South West Corporation

Central & South West Utilities Co. is an important subholding company in the Middle West System, comprising about half of that system. The four operating subsidiaries—Central Power & Light Co., Public Service Co. of Oklahoma, Southwestern Gas & Electric Co., and West Texas Utilities Co.—operate within adjacent areas and constitute an integrated system. The parent company is over-capitalized, and there is also a problem regarding possible subordination of the Middle West interests which includes holdings of preferred stocks as well as common.

Accordingly, a number of integration plans have been submitted from time to time. The final plan, which represented a compromise between Middle West and a minority group of common stockholders (which own nearly 43% of the common stock), was filed early in 1946 and was approved by the SEC and by a Federal court. Consummation of the plan, which proposed the sale of a block of additional common stock of the successor company, was apparently deferred last Fall due to market conditions. Middle West decided some weeks ago to go ahead regardless of the market, but this was strenuously opposed by counsel for the minority stockholders, who felt that this would penalize them. An appeal to the Federal court which had formerly approved the plan did not prove effective, but the fight will be carried to the SEC when final hearings are held on the new financing, about Jan. 29.

The program now under way provides for depositing the prior lien preferred stocks and preferred stock of Central & South West Utilities together with the preferred stock of American Public Service (a subholding company which will be merged in forming the new Central and South West Corp.). A nationwide group of banking houses has been formed under the management of Lehman Brothers and Lazard Freres to solicit deposits for the exchange program. Peculiarly, the exact exchange terms are not yet known but each share of the several preferred stocks is to receive sufficient of the new common stock (valued at the initial retail offering price) to equal the redemption price of the stock. Any accrued dividends on Central & South West prior lien preferred stocks and on American Public Service preferred are to be paid in cash, while Central & South West preferred receives stock for both the call price and arrears.

In order to provide cash payment for preferred stockholders who do not accept the exchange offer, the number of shares required to raise this cash will be offered at competitive bidding on Jan. 29. The remaining stock will then be distributed to the publicly-held common stock of American Public Service and Central & South West Utilities. American Public Service holders will receive eight shares for each share publicly held (this is a negligible amount); while the common stock of Central & South West receives a flexible amount (based on a rather complicated formula), depending principally on the public offering price and the resulting number of shares required to dispose of the preferred issues.

Based on data contained in the red-herring prospectus, the share earnings on the 6,600,000 shares of common stock of the new company have been as follows:

10 Mos. End. Oct. 31, 1946	$1.08
Calendar Year:	
1945	.65
1944	.65
1943	.73
1942	.71
1941	.57

The management has estimated earnings for the calendar year 1946 at $1.25 (which seems conservative) and forecasts that 1947 should show about the same result. Dividends are to be initiated at the rate of 70 cents per annum (35 cents will be paid about six months after filing of the agreement of merger). The minority stockholders' group had been hopeful that at least 80 cents would be paid, but apparently the management desires to retain a substantial proportion of earnings for new construction, etc.

Street opinion appears to be that the new stock may be offered somewhere between 11 and 12, which prices represent yields of 6.33% and 5.83%. As of recent date representative holding company stocks were selling to yield an average of about 4.7%, but this included several low-dividend issues—Federal Light & Traction, Middle West, and United Light & Railways. Columbia Gas & Electric, which is earning about the same as the new Central & South West, has recently inaugurated dividends at the rate of 60 cents and is currently selling around 11⅜ to yield about 5.26%.

Fruitful Results of De Gasperi's Mission

Italy's Premier secures $100 million credits from Export-Import Bank, as well as potatoes, wheat, coal, and ships. State Department optimistic about our joint trade revival. Unblocking of her assets in prospect.

WASHINGTON, Jan. 15 (Special to the "Chronicle").—Among the results of Italian Prime Minister De Gasperi's mission to Washington is the Export-Import Bank agreement to earmark for Italy $100,000,000 of credits for use during 1947 for raw materials, fuel and restocking purposes. Italy has recently obtained promise of 100,000 tons of Maine potatoes. The War Dept., to relieve distress in Italy, has just diverted six wheat-laden ships, which were headed for Germany. Italy will get more American surplus ships, hopes for a substantial relief grant from Congress and expects early announcement of remission of the half billion dollar obligation for disease and "unrest" supplies distributed by the Army in Italy.

A State Department press announcement of today discloses that this Government has promised Italy to do everything possible to increase wheat and if possible coal shipments. The Department's announcement in part:

"It was considered that the revival of trade between the two countries thus far was most encouraging, and agreement was reached that negotiations should begin as soon as possible for a new commercial treaty to replace the modus vivendi of 1938. The Italian officials emphasized their agreement with the principles of the program for expansion of world trade through a reduction of trade barriers and agreement was reached on the desirability of Italian participation in this program at the earliest possible opportunity.

"It was further agreed that within the framework of the definitive peace settlements there should be a general settlement between the two governments of financial and related problems arising out of the war. The United States Government indicated that, subject to mutually-satisfactory agreement on this settlement. It would be prepared to waive claims for repayment for food and relief supplies furnished the Italian people through military channels prior to the period of UNRRA operations. Discussions will begin as soon as possible and will include reference to the question of the unblocking of Italian assets in the United States.

"In the field of post-UNRRA relief, the Prime Minister was informed that Italy's needs will be included in the direct relief program soon to be submitted to the Congress. He was also assured that this government has every expectation of increasing scheduled shipments of wheat to Italy beginning Feb. 1; also, every effort will be made to maintain, and if possible to increase, shipments of coal, so as to meet the Italian essential requirements for these two important commodities."

Truman "Short-Range" Economic Program

In Economic Report, President calls for balance between wages and prices; expanded social security; a million additional housing units; a surplus of government revenue over expenditure, with reduction in taxation only "as soon as possible"; and a means of making adjustment in wages and working conditions without crippling strikes.

The following is the portion of the text of President Truman's Economic Report to Congress dealing with short-term program recommendations:

President Truman

My short-range recommendations have long-range significance as well. But they merit immediate attention from the Congress and from the people as a whole because of their influence upon economic conditions in 1947.

1. Prices and Wages

Removal of emergency price and wage controls has restored the main responsibility for prices and wages to business, labor, farmers, and consumers. The Government can point out dangers seen from the perspective of the whole economy, but the correctives must largely be applied by others.

Business should reduce prices wherever possible in order to bring about the necessary increase in consumer purchasing power to bolster their markets. Price reductions are especially needed in the case of goods such as many articles of food, clothing, housefurnishings, and building materials, whose prices have risen out of line. If business makes these reductions in a timely and orderly way, it will help sustain markets rather than destroy them.

Farmers must realize that last year's exceptional farm prices will fall somewhat as world food supplies increase and as consumers find a more ample supply of durable goods to purchase. Existing price supports afford protection against a severe price decline.

Labor, on its part, must recognize that high volume at low costs and low prices requires high productivity and the absence of restrictions on production. For its own advantage as well as that of the country at large, labor should refrain from demands for excessive wage increases that would require price increases or would prevent price reductions that are necessary to sell the capacity output of the product.

Management in turn should recognize that increased productivity permits wage increases in some cases as well as price reductions; and that wages and salaries need to be raised where they have lagged substantially behind the increase in living costs in the past few years or where they are substandard.

But just as there can be no universal or uniform rule to govern price reductions, so there can

A Symposium on 1947 Outlook

Twenty-two economists give views at Industrial Conference Board Forum. Majority see some recession in 1947, but generally agree effect will approximate mild setback of early 1920's rather than severe depression of 1929.

Twenty-two of the nation's economists discussed "The Business Outlook for 1947" at the latest Conference Board Economic Forum on Jan. 13, sponsored by the National Industrial Conference Board.

Some of those who took part in this "Evening with the Economists," and their summarized opinions on the business outlook, follow:

SEES NO SERIOUS DEPRESSION AHEAD

Milton Gilbert, Chief, National Income Unit, United States Department of Commerce (Discussion Leader)—There is no possibility of a severe depression like that of the early 1930's. The accumulated deficit of both consumers' durable goods and business investment are sufficient to prevent that. So, I think the recession will be more in the nature of the 1920-21 experience, but not anything like so drastic. The main forces which will limit the decline and prevent it from spiraling are:

1. Prospective government support of agricultural prices.
2. The probability that wage rates will prove more rigid than they were in 1921.
3. The effect of unemployment insurance in cushioning any decline in consumer expenditures.
4. The magnitude of the accumulated deficits in the durable goods field.
5. The high level of government expenditures which can be anticipated for the immediate future.

"SOMEWHAT LOWER LEVEL" AHEAD

A. D. H. Kaplan, The Brookings Institution—I see for early 1947 not what we should call a depression, but at least no advance, and probably a level somewhat lower than we have now. With regard to the second half of '47, even if there's softening in agriculture—we had falling agricultural prices with brisk general business in the 1920's—industrial activity should be substantially higher than the second half of 1946. But I don't expect the first half of 1947 to be up to the second half of '46.

The current scene discounts statistical analysis. We are dealing with mass psychology — possibly economic psychology, but psychology rather than economics in quantitative terms. I am impressed with the retarding influence of the poison—I mean in the management-labor relationship—that we must get out of our current business system. I am hopeful that it will be less virulent after the next six months, so that we may rise to the potentials that are in the total statistical picture.

* * *

"LIKELIHOOD OF REAL RECESSION IN '47"

Edwin B. George, Economist, Dun & Bradstreet, Inc.—Although there is likelihood of a real recession or a settling period during 1947, I do not think that it can go very far because of the importunate demand that underlies it, and

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Progress, but No Illusion "All's Well" for Peace

By HON. ARTHUR H. VANDENBERG*
U. S. Senator from Michigan

Chairman of Senate Foreign Relations Committee upholds bi-partisan foreign policy and backs international defense against aggression. Lauds U. S. participation in organization and progress of United Nations, but points out organization is not perfect instrument for insuring peace. Says we are prepared to disarm, if American proposals regarding atomic energy are accepted. Sees need of future international economic cooperation and forecasts U. S. financial aid for rehabilitation. Urges friendly but firm policy toward Russia in protecting our system of free enterprise, and calls for full support of Chiang Kai-shek under new Chinese constitution. Wants a federation of German states.

I congratulate the Cleveland forum upon the powerful program it has produced from all quarters of the globe in a striking exchange of international opinion. This process of reciprocal candor is one of the major forces which can beat swords into plowshares on the anvils of mutual understanding and goodwill. Indeed, this is the supreme potentiality of the organized United Nations. War will remain at a heavy discount so long as international controversy stays in the council chamber—and adverseries "talk things out" instead of "shooting them out."


A. H. Vandenberg

It was my good fortune to coin a phrase at the United Nations San Francisco Conference in 1945 which seems to survive. I prophesied that the General Assembly would become "the town meeting of the world." In one year it has become exactly that. So long as the "town meeting" meets, reason is calculated to outweigh force. So long as this "safety valve" works the world's "boilers" are not calculated to explode.

Peace with justice is the dearest aspiration at every hearthstone in the world. Here in your "town meeting" the voices of global hope have joined in this universal prayer. The voice of our own America must rise above them all, not only because our people deeply share this dedication, but particularly because time and events have given us the tremendous responsibility of a spiritual leadership which most of the world is eager to have us grasp and which we would desert at our own peril.

Tonight, according to your program, "the United States replies

(Continued on page 286)

*An address by Senator Vandenberg before the Cleveland Council on World Affairs, Cleveland, Ohio, Jan. 11, 1947.

Will Do Our Part in Promoting Peace

By HON. JAMES F. BYRNES*
Retiring Secretary of State

Retiring Secretary outlines U. S. policies to promote world peace and security, and expresses optimism regarding present status of agreement among big Powers. Pleads for a common law of nations which will draw up rules of peace rather than of war. Says we have joined with allies to put an end to war, and reiterates desire to settle problem of control of atomic power before committing ourselves to disarmament. Scores Argentina's position with respect to hemispherical defense and concludes peace in this interdependent world must be more than a mere truce. Favors international economic cooperation.

After the announcement on Tuesday night of my resignation as Secretary of State I advised Mr. Luce that I doubted whether under the circumstances the directors of the Cleveland Council would wish me to participate in this program. After telephoning to Cleveland, Mr. Luce advised me that Dr. Emeny and his associates wished me to come. I am glad they insisted. Had they not done so I would have missed the greeting you have just given me, a greeting so cordial that it has warmed my heart and, I tell you, I shall ever treasure in my memory.


James F. Byrnes

This coming of age anniversary of the Cleveland Council on World Affairs is of more than usual significance. Under the leadership of the Council the community of Cleveland has come to regard world problems not as the affairs of far-distant countries, but as the affairs of the world of which the community of Cleveland is a part.

Twice in our generation the communities of America have learned that they are very much a part of the world when the world is at war. If we are to prevent war and to build enduring peace, every community in America must realize that it is very much a part of the world when the world is at peace.

Our first task is to liquidate the war. We cannot think constructively about the building of lasting peace and about rising standards of life until we give the peoples of this world a chance to live again under conditions of peace. We can never deal with the problems of a convalescing world

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*An address delivered by Secretary Byrnes before the Cleveland Council on World Affairs, Cleveland, O., Jan. 11, 1947.

Offers Bill to Give Private Lenders Participation in Export-Import Bank Loans

Rep. Howard Buffett (R., Neb.) introduces measure to require Export-Import Bank to offer for participation from private financial institutions and other private lenders any loan or guaranty in excess of $5 millions.

Congressman Howard Buffett (R., Neb.) on Jan. 8 introduced into the House the following bill to provide for participation by private lenders in all loans in excess of $5 million:

AN ACT to provide for participation by private lenders in certain loans made by the Export-Import Bank of Washington.


Howard Buffett

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 2 of the Export-Import Bank Act of 1945 (U. S. C., 1940 edition, Supp. V, title 12, sec. 635 (b)), is amended by adding the following:

"(c) No loan, discount, rediscount, or guaranty for an amount in excess of $5,000,000 shall be made unless the bank (1) requests, through normal financial channels, offers for participation from private financial institutions and other private lenders, and (2) accepts, for participation to the extent of not less than 25% of the total of the funds to be advanced by way of loan, discount, rediscount, or guaranty, that offer or that combination of offers which is, in the judgment of the Board of Directors, most advantageous to the borrower, endorser, acceptor, obligor, or guarantor. The bank shall hold all security in any transaction involving such participation, but the bank and the participating private lender or lenders shall share any loss resulting from such a transaction in proportion to the amounts they respectively advanced for the original loan, discount, rediscount, or guaranty."

Join E. E. Mathews Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Theodore T. Ludlum and Frank C. Morgan are with Edward E. Mathews Co., 53 State Street.

First Boston Adds Two

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Freeman Boynton and Paul G. Douglas are with The First Boston Corporation, 1 Federal Street.

Notice to Owners of "Lost" Dutch Securities

It was announced on Jan. 15 that persons, not resident in the Kingdom of the Netherlands, who claim beneficial ownership of securities issued and/or payable in the United States and physically located in the Kingdom during enemy occupation and of which they lost possession, should file a report of such loss on or before Jan. 31, 1947, with the office of the Financial Counselor of the Netherlands Embassy, 25 Broadway, Room 1132, New York where forms are available.

Dealer-Broker Investment Recommendations and Literature

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

Aviation Bulletin — Including comparison of manufacturers' unfilled orders and monthly opinion on the stock market—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Aviation Industry Outlook — Study including tables of financial statistics covering 12 aircraft manufacturing companies together with similar data for 12 air transport companies, and a comprehensive review of recent developments in each branch of the industry—H. C. Wainwright & Co., 30 Pine Street, New York 5, N. Y.

Electric Utilities — Summary of situation and outlook in "Fortnightly Market and Business Survey"—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Esky-Pads—Memorandum pad with the Varga girl on the cover—B. S. Lichtenstein & Co., 99 Wall Street, New York 5, N. Y.

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

Railroad Developments—Memorandum of current events—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Railroad Reorganization Developments — Memorandum — H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Also available is a leaflet of comment on **Treasury Fiscal Policy; Cities Service Co.; First Mortgage Railroad Bonds** and **Merritt Chapman & Scott.**

Railroad Reorganization Securities—Circular reviewing the history and status of railroad reorganization legislation and outlining the probable effect of the legislation on junior railroad securities—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Utility Shares — Basic outlook —Ralph E. Samuel & Co., 115 Broadway, New York 6, N. Y.

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

Also available are circulars on **Wellman Engineering; Fashion Park, Inc.; Upson Co.;** and **Osgood Co.**

Aspinook Corporation—Circular —Ward & Co., 120 Broadway, New York 5, N. Y.

Also available are memoranda on **W. L. Douglas Shoe Co.; Hartford Empire; Lanova Corp.; Mohawk Rubber;** and **Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; Alabama Mills; Diebold, Inc.**

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

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.

Colorado Milling and Elev. Co. —Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

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

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.**

Hungerford Plastics Corp.—Detailed analysis — First Colony Corp., 52 Wall Street, New York 5, N. Y.

Also available is an analysis of **Stratford Pen Corp.**, and **M. H. Lamston, Inc.**

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.**

Lime Cola Co.—Late data—Thornton, Mohr & Co., First National Bank Building, Montgomery 4, Ala.

Middle West Corp. — Study — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

Nunn Bush Shoe Co. — Late data in the "Business and Financial Digest" — Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Pathe Industries — Analysis discussing yield and possibilities of price appreciation — Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Portland Electric & Power Co. —Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

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

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

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

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.

The Monetary Fund and ITO

By HERBERT M. BRATTER

Correspondent notes that, recognizing growing trend in inter-agency overlapping, International Monetary Fund sent three observers to recent International Trade Organization meeting in London. Quotes these observers' views of restrictions safeguarding members' balance of payments; of retaliatory restrictions; of escape clauses; of commercial policy provisions; and of meeting's general accomplishments. Intergovernmental commodity arrangement provisions are cited.

In creating a global structure for international cooperation in the economic sphere a certain overlapping of functions has been inevitable. This is true of the FAO and the proposed ITO. The same applies to certain aspects of the ITO and the World Fund. To realize this, one needs only to reflect upon the fact that foreign exchange controls and the variety of direct trade controls are alternative means of accomplishing the same end. It was to insure the maximum degree of cooperation with the ITO and to safeguard its own prerogatives that the Fund sent three observers to the October-November meeting in London of the Preparatory Committee of the International Conference on Trade and Employment. Two of these observers have now made an extensive report to the Fund.

Herbert M. Bratter

According to the chief Fund observer at London, Mr. George F. Luthringer — who is American alternate executive director of the Fund — it is no overstatement to say "that the representatives of the Fund (and of the Bank) played a leading role at the Conference." In this regard, he adds, the contrast between their position and that of other observers was marked.

Charter Provisions Important to Fund

For the Fund, the most important provisions of the proposed ITO charter were those of Articles 20, 22 and 23, relating to quantitative restrictions. The Fund was (Continued on page 305)

World Bank and U. S.-Canadian Cooperation

By EUGENE MEYER*

Formerly President, International Bank for Reconstruction and Development

Prominent financial executive reiterates his reasons for resigning as President of International Bank, asserting Bank is now fully organized and ready for business and his service in launching institution is completed. Points out Bretton Woods objectives, and explains limitations on lending operations of Bank. Says members of Bank have no obligations beyond their individual subscriptions to capital stock, and that bank's obligations will be well secured because of lending restrictions and a conservative policy. Lauds U.S.-Canadian economic cooperation as a world-wide model.

When I was invited to be your guest I was President of the International Bank for Reconstruction and Development. I no longer hold that position, but I am delighted to have the opportunity to express my appreciation of the fine cooperation I received from the Canadian representatives in the work of building the foundation of the Bank's organization. I am especially happy to express publicly my gratitude to Mr. Robert Bryce, the Canadian Executive Director, and to Mr. Graham Towers, the Canadian Governor of the Bank.

Eugene Meyer

While I do not now represent the Bank, I would like to tell you something about it. But before doing so let me say this. There has been considerable discussion about the reason for my withdrawal from the Bank. The reason stated in my letter to the Executive Directors was the real reason and the only reason. The basic organization of the Bank had been developed; general policies and procedures had been weighed by the Executive Directors and the staff and had been formulated so far as this could be done in advance of actual lending operations. The Bank was passing from the preliminary work of preparation to the stage of operating activities. From then on its work had to be viewed in terms of long-time continuous operations. I was asked to launch the Bank — to organize it and get it started. Having carried out what I had undertaken to do, I felt that the moment had arrived when the permanent President of the Bank should be appointed.

Neglect of International Trade After World War I

During or after World War I, little thought was given to what would happen to international trade following the discontinuance of loans to our Allies by the U. S. Government. It was necessary, it seemed to me, to have some special facilities for financing international trade which would act as a bridge during the transition from war to peace.

At that time I was Managing Director of the War Finance Corporation, a government owned corporation with capital of $500,000,000 and large borrowing capacity. I proposed an amendment to convert the Corporation into an export bank — not to make loans to foreign borrowers but to American exporters or to institutions which financed American (Continued on page 306)

*An address by Mr. Meyer before the Canadian Club, Toronto, Canada, Jan. 13, 1947.

NSTA Notes

SECURITY DEALERS OF THE CAROLINAS NEW NSTA AFFILIATE

The Executive Council of the National Security Traders Association is pleased to announce that the application of "The Security Dealers of the Carolinas" has been approved and this organization has become the 27th affiliate of the NSTA. Keating L. Simons, James Conner & Co., Inc., Charleston, South Carolina, is the President of this organization which covers both North and South Carolina. The membership of the NSTA, at the end of 1946, reached an alltime high of 3,300.

Taxes on Stock Transfers by Non-Members of an Exchange

(Continued from page 268)

himself the same as formerly and buy gummed stamps for such portion.

TO THIS, THE STATE TAX COMMISSION SAID "NO".

For its authority the Commission cited a regulation of November 15, 1946, which provides as follows:

"In the event that such dealer uses a clearing agent and also duly appoints such agent to act for him in the payment of the tax without the use of stamps, then only said agent shall remit the tax."

Analyzing the above quotation, we ask ourselves, is there anything in it which supports the position taken by the Tax Commission?

Does it warrant an interpretation that once a clearing agent is designated, clearances must go through that agency 100%?

Why is it not proper, for example, in certain over-the-counter transactions to mark the blotter "we clear" and then use gummed stamps for tax purposes.

As we examine the regulation, we find nothing in it which warrants the Tax Department interpretation.

If the dealer made partial clearances of his own, nevertheless, the clearing agent as to those transactions which it handled would be the only one remitting the tax.

By what authority, in over-the-counter transactions, does the State attempt to compel 100% clearances through one agency, where such agent has been designated to make some clearances?

We believe that the Commission's interpretation evinces an unhealthy attitude towards commerce generally because it interferes with the freedom of action which should be enjoyed by every man in his business.

While the announced interpretation may serve the convenience of the Tax Commission, in our opinion it doesn't justify depriving a dealer of his right to clear personally such transactions as he wishes to handle and still make other clearances through an agency.

A dealer wishing to save clearance charges in some of his business should have every right to do so.

A dealer wishing to save the time of his messengers who sometimes are compelled to wait on line at clearing agencies for an inordinate period of time, should have the right to do so.

This regulatory refinement is an evidence of the tendency to further hamstring the securities industry by placing upon its transactions additional and burdensome regulations.

If there were a regulation justifying the interpretation placed upon it by the Tax Commission we should feel that it required immediate withdrawal.

The existing regulation does not support the interpretation announced by the Tax Commission.

The World Bank's Presidency In Retrospect

Mr. Meyer's resignation and subsequent difficulty in filling post rouses keen speculation regarding numerous phases concerning Bank's top management. Present trouble ascribed partly to Bank's overshadowing by the Monetary Fund during preparatory meetings at Bretton Woods and Savannah. Stimulant in addition to high remuneration found needed to to atract desirable top executives.

WASHINGTON, Jan. 15—(Special to "The Chronicle")—It is only reporting a fact to state that, despite the official explanation frequently repeated, no one seems to believe the reasons given by Mr. Eugene Meyer for his abrupt resignation from the Presidency of the World Bank. The impression persists that prominent financial personalities are boycotting the post because the highly-paid president of the Bank is subordinate to an ever-present group of executive directors representing the member governments. Outside, if not within, Bank circles, thought is being given to the possibility of freeing the institution's head from the shackles placed on him at Bretton Woods and Savannah.

If the architects of the Bretton Woods program did not create the blueprints of the World Bank as an afterthought, they certainly did not treat it on a parity with its twin, the Fund. For whatever reasons the Bank's Articles of Agreemnt lagged greatly in the drafting at "BW," and were finally whipped into shape only by dint of very late night work. Partly this may have been due to the fact that the dominant personalities at BW were more interested in the Fund.

Bank's Agreement a Scissors-and-Paste Job

Doubtless a good part of the drafting of the Bank's articles of agreement was a scissors-and-paste job. Excepting for the substitution of the title "president" for "managing director"—perhaps because it sounded better for a "bank" that is not a bank—the Bank's articles of agreement on the management phase of the work shows no signs of special cogitation.

The Savannah Meeting

At the Savannah meeting of the Fund and Bank governors in March, 1946 there was similar preoccupation with the Fund, focussed in the activities of White and Keynes, authors of the two predecessor *monetary* plans. There a fundamental difference in viewpoint between the British and American governments as to the BW program was laid before the governors during the discussions of the functions and remunerations of the executive directors.

When the salary scale proposed by the Americans, Harry White and E. G. Collado—themselves candidates for these salaries—Lord Keynes, who had not reckoned with the inducement of self-interest, said: "If we had foreseen at Bretton Woods what was going to happen—and it has turned out quite different from our expectations—we should certainly have proposed that the remuneration of the executive directors and their alternates who, as distinct from the staff, are national delegates, should be provided or shared by the governments appointing or electing them and not by the institutions themselves . . . I do not wish to deprive any man, especially old and respected friends, of their due and proper reward. But in our view, so large a body of persons cannot properly be remnuerated on the very high level proposed. . . ."

The Salary Question

Keynes was referring to the salary of $17,000 *after* taxes proposed for the executive directors. The managing director of the Fund and the President of the Bank under the schedule adopted at Savannah get $30,000 a year after taxes, plus expenses. Defending the American proposals. Dr. Harry White rejected the British objections. In his speech he mentioned the Bank only once. His preoccupation was with the Fund and what he regards as its need to have high-calibre executive directors on duty at all times. Here again, no thought was given to the position of the Bank's manager vis-a-vis his board of directors. The British found Mr. White unpleasantly critical when he said that, once an issue has been decided "by various conferences" it should not "be again raised in various directions and by indirection." The real problem, said the future American executive director of the Fund, was not a "few thousand dollars more or less" in a director's annual salary but whether you should have a competent Fund.

When House and Senate considered the BW program there was no inquiry into the relationship of the Bank's president and its executive directors; nor was the salary question raised, since those who had drafted the articles of agreement in New Hampshire had been careful to keep this matter out of sight of the Congress by leaving it to the governors of the Fund and Bank to set the pay scale. By the time of the Savannah meeting which did this, Congress no longer had anything to say about it.

However, after Savannah, the Senate was called upon to confirm the American executive directors and alternates of Fund and Bank, and in an unprinted hearing on the two American alternate executive directors, one finds Senator Robert A. Taft and others somewhat displeased with the high scale of salaries set at Savannah upon the insistence of the American delegation which Secretary of the Treasury Vinson headed.

Senator Barkley, Democratic majority leader, asked Mr. John S. Hooker—then just nominated to be alternate executive director of the Bank—whether it had been necessary to double the salary of men already in the American Government to get them to go to the Bank. Mr. Hooker replied: "Senator, the primary reason in my opinion for the high salaries was the job of getting for the Bank a president and other high officers. . . . In order to get qualified people with experience in securities, you have got to set the salary rather high."

More Than Renumeration Needed

Recent experience indicates that something more than a high scale of salaries is needed to get the proper leadership for the World Bank. The British had no objection to the manager of the Fund and the president of the Bank being well paid. Quite the contrary. Even so, they apparently did not forsee the situation which developed when last summer the American Government had trouble finding anyone to take the top managerial post in the Bank, and which has been repeated on a more conspicuous scale since the announcement of Mr. Eugene Meyer's resignation.*

*As further evidence of the preoccupation of the British with the Fund, to the virtual exclusion of the Bank, see in the Journal of the Institute of Bankers (London), October, 1946, the article, "Two Conceptions of the International Fund," by Paul Bareau. Mr. Bareau was a member of the British delegation at Savannah.

Michigan Brevities

First of Michigan Corporation was the successful bidder for an issue of $57,500 city of Ecorse paving bonds sold by the city. The bonds, being a general obligation of the city and maturing 1948-52, were reoffered at prices ranging from 1% to a 1.35% basis.

* * *

Dollar volume of trading in 1946 on the Detroit Stock Exchange totaled $62,155,624, as against $57,686,084 in the year before. This represents a 10-year high and was largely due to a record breaking first quarter when sales were at the peak for the year.

* * *

National Bank of Detroit reported a net profit for the year ended Dec. 31 of $4,408,832 after all charges and reserves, equal to $3.53 a share on 1,250,000 shares of capital stock. This compares with $4,376,712 or $3.50 a share in 1945.

* * *

Baker, Weeks & Harden, 1556 Penobscot Bldg. have announced that Rollin M. McConnell and William R. Kaelin have been made members of the firm.

* * *

Michigan Bell Telephone reported 1946 was the busiest year in its history with 400,000 new telephones installed. The company also completed a $39,000,000 construction program. An all time high of nearly 1,380,000 phones were in use in the company's territory at the year-end.

* * *

Precision Parts Co., of Ann Arbor has asked SEC permission to withdraw 75,000 shares of $10 par 5% cumulative preferred due to unsettled market conditions.

* * *

Formation of the Royal Crown Bottling Co., of Detroit was announced by E. J. Anderson, President of Goebel Brewing Co. The firm will operate as a Goebel subsidiary and will produce carbonated beverages sometime late in 1947.

* * *

Union employes (125), both AFL and CIO members, received a bonus of 25 shares each in the Koppitz-Melchers, Inc., brewery, according to a company spokesman.

* * *

Mueller Brass Co., has called a special stockholders' meeting for Jan. 28 to vote on a proposal to increase the authorized common stock to 800,000 shares. If plan is approved, one new share of $1 par will be given for each share now held.

* * *

Timken-Detroit Axle Co. has purchased all the assets and business of Bossert & Co., Inc., of Utica, N. Y. in exchange for shares of Timken common, according to W. F. Rockwell, Timken President.

* * *

McDonald-Moore and H. V. Sattley & Co., Inc., have purchased a new issue of $130,000 Vermontville, Mich., water revenue 3% bonds. They were offered to yield 2.00 to 3.05% and are due Jan. 1, 1950-76, inclusive.

* * *

Investors Syndicate, Minneapolis, has opened a regional office in the Industrial National Bank Bldg with A. C. Munderloh as manager.

* * *

Wesley E. Smith, former assistant manager of the Ferndale branch of the Wabeek State Bank, has been named manager of the Birmingham, Mich., branch, replacing Frank Quisenberry, resigned. F. R. Robinson will take over Mr. Smith's position in Ferndale.

Kennedy Joins Cruttenden

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Joseph A. Kennedy has become affiliated with Cruttenden & Co., 209 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Kennedy was previously with Mason, Moran & Co.

Rep. Knutson Urges Reprisals Against Treaty Violators

Makes statement to "Chronicle" in connection with reported violation of British Loan Agreement.

WASHINGTON, Jan. 15 (Special to the "Chronicle").—Relative to reported violation of British Loan Agreement, discussed in Secretary Snyder's press conference today, the "Chronicle" asked Congressman Harold Knutson of Minnesota, Chairman of the Ways and Means Committee which handles trade agreement matters, for comment. Mr. Knutson said: "If a country violates an economic agreement with us, this government should proceed vigorously to defend our rights, and if necessary take steps to abrogate any trade advantages which said country enjoys in its commerce with the United States."

Hon. Harold Knutson

Swigart on Contract Settlement Board

WASHINGTON, Jan. 15 (Special to the "Chronicle"). — Secretary Snyder today announced the appointment of Eugene Swigart of Chicago, Ill., as a member of the Appeal Board, Office of Contract Settlement, the functions of which were recently transferred to the Treasury Department.

Mr. Swigart, a native of Cincinnati, Ohio, graduated from Princeton University in 1926, and from the Harvard Law School in 1929. He passed the Illinois Bar in 1930, and for a number of years was associated with the law firm of Montgomery, Hart, Pritchard and Herriot, in Chicago. He comes to the Treasury from the OPA, where he served as Associate General Counsel and chief of the legal section of the Rent Division.

Chicago Home Loan Bank Pays Dividend

A semi-annual dividend was paid to stockholders of the Federal Home Loan Bank of Chicago on Jan. 10, at an annual rate of 1½%, which rate has been maintained in seven out of the past eight years. Total distribution for the last half of the year will amount to $174,393.93 for 343 savings, building and loan associations in Illinois and 115 associations in Wisconsin, in addition to the portion paid to the Reconstruction Finance Corp. which holds the part of the original stock of the bank subscribed by the Treasury in 1932. This payment will bring up to $342,093 the total distribution of the bank's dividends for 1946 and will mark a new high since 1938.

Connecticut Brevities

The year-end statement of the Hartford-Connecticut Trust Company showed a gain of $2,302,022 in total assets over the preceding year-end. Principal changes in assets showed loans and discounts of $38,844,636 compared with $29,062,224 a year ago and U. S. bonds of $37,404,979 against $47,641,403 at the end of 1945.

The acquisition of the West Hartford Trust Company added $400,000 to capital stock and an equal amount to surplus, bringing each of these items to $4,400,000. Undivided profits of $1,023,541 compared with $852,440 a year ago while reserves of $1,286,364 compared with $1,060,947 a year ago. Deposits of $116,511,059 showed an increase of $1,093,504.

* * *

The statement of the Hartford National Bank & Trust Company for Dec. 31, 1946 showed U. S. Government securities approximately 43.9% of total assets, and cash and due from banks 33.1% of the total. Bank premises at $2,500,000 were written down from $2,700,000 at the end of 1945.

Deposits at the year-end were $124,780,765 against $153,151,971 a year ago, representing a decline of 18.5%. Undivided profits of $2,037,793 were up $335,256. Book value increased from $24.26 to $25.09 per share.

The income account for the year ended Dec. 31, 1946 showed gross earnings of $2,638,691 against $2,686,317 the preceding year. Net income was $977,672 or $2.44 a share against $984,048 or $2.46 a share in 1945.

* * *

The year-end statement of the Phoenix State Bank & Trust Company showed total assets of $79,445,324 against $87,228,196 a year ago. Loans and discounts increased $2,386,468 and cash and due from banks increased $2,970,291, while holdings of U. S. Government securities were reduced from $56,780,006 to $42,759,996.

Surplus was increased by $800,000 to $2,400,000, while undivided profits of $1,224,359 compared with $1,553,978 at the end of 1945. Deposits of $73,757,703 declined from $81,467,587—a decrease of 9.4%. Book value per share at the end of 1946 was $326.52 compared with $297.12 at the end of 1945.

* * *

The Segal Lock and Hardware Company has announced that the company will retire all of its outstanding $2.50 and 7% cumulative preferred stocks on March 15, 1947. The $2.50 preferred will be redeemed at $55 a share plus accrued dividends of 41⅔c, or a total of $55.41⅔ per share. The 7% preferred is called at $55 a share plus accrued dividends of $52.35, bringing the total redemption value to $107.35.

* * *

The New York, New Haven & Hartford Railroad has filed an application with the Interstate Commerce Commission for permission to increase its passenger coach fares from 2.2c to 2.5c per mile; parlor and sleeping car fares from 3.3c to 3.5c; and to increase interstate commutation fares 20%. The company stated in its petition that despite the freight rate increase which became effective Jan. 1, 1947, the road would be faced with a deficit approximately $7,000,000 for the year 1947.

The stockholders of the Hartford Gas Company have given their approval to the company's plan to create an open-end mortgage deed of trust and to issue $2,000,000 first mortgage bonds. Proceeds will be used to finance plant expansion. Present plans are for the construction of a new gas production plant on the Front Street property. All plant improvements since 1930 have been paid for out of current resources.

* * *

Travelers Insurance Company reported a new high in premiums for 1946 with a total in excess of $294,911,000. This showed an increase of $18,868,000 or 6.8% over the 1945 total. Paid premiums were as follows: Life, $130,440,000; Accident and Health, $41,541,000; Liability, $11,074,000; Automobile Casualty, $44,422,000; Compensation, $34,049,000; Burglary and Glass, $5,467,000; Boiler and Machinery, $1,908,000; Fidelity and Surety, $1,825,000; and Fire, $24,183,000.

* * *

The Town of Stratford, Connecticut will receive bids on Jan. 20, 1947 for $495,000 Sewer Bonds, to mature $33,000 annually commencing Feb. 1, 1948 to 1962 inclusive.

* * *

On Jan. 23, 1947, the State of Connecticut will receive bids for an issue of $6,000,000 Saybrook Bridge bonds.

* * *

The Town of Darien recently awarded the Home Bank & Trust Company of that town, $200,000 Tax Anticipation Notes dated Jan. 10, 1947 and maturing May 15, 1947 at a 0.50% basis.

* * *

The Connecticut Light & Power Company reported total power sales for the year ended Dec. 31, 1946 of 974,971,000 kilowatt hours, which is an increase of approximately 1.8% over the 1945 total. Sales for December, 1946 were 91,715,000 kilowatt hours, or an increase of 19.5% over December 1945.

* * *

The Plastic Wire & Cable Corp., of Jewett City for the fiscal year ended Sept. 30, 1946 showed net sales of $2,205,248 compared with $2,727,812 for the preceding fiscal year. This latter figure was after $232,429 renegotiation fund. Net income was $85,254 against $68,707, or earnings per common share of 86c against 69c respectively. Earned surplus at the end of the fiscal year 1946 was $165,447 compared with $90,623 at the end of September, 1945.

* * *

The Collins Company declared a dividend of $5 per share payable Jan. 15 to stockholders of record Jan. 7. Payments in 1946 were at the rate of $2.50 per share each quarter, making a total of $10 for the year.

A Time of Crisis

By PHILIP MURRAY*

President, Congress of Industrial Organizations

CIO chief blames powerful monopoly interests for present agitation for restrictive labor legislation. Says aim is to destroy unionism and concludes only forceful action and intelligent understanding by labor and public can stay "this vicious campaign."

This Nation faces a real crisis today.

During the war monopoly groups tightened their hold on every major industry and on our entire national economy. As a Senate Committee recently reported, their power is such that a handful of bankers can now exert tremendous pressures on the well-being of all the people. This small group spearheaded the destruction of the national program of control of prices and living costs. Now they seek to arrogate unto themselves even more complete power over the living standards of the American people.

Philip Murray

Only the labor movement has acted effectively to assert the right of the people to a decent share of the product of our national economy. (With the Government having capitulated on prices and profit-regulation, only labor—with its demands for wage increases—stands as a major force actively striving for a proper distribution of purchasing power.) Labor's success or failure in this struggle will determine whether our people can live in decency, our economy function freely, our nation avoid the debacle of depression and chaos.

Powerful monopoly interests hope to restrict the effectiveness of labor by legislation to curb, harass—yes, even destroy—American unionism. In the midst of this gathering crisis for our Nation, these monopoly interests have adopted the tactics of tyranny everywhere and at all times. Through their press, their reactionary radio commentators, through every means of communication available to them, industry and its spokesmen have sought to divert attention from their own unconscionable position by seeking to divert popular anger toward the organizations of the American workers.

It is understandable that powerful corporations and their organizations hate and resist the challenge of the workers' union; but it would be tragic for our country if they succeed, with their propaganda of wilful distortion, of oft-repeated calumnies and falsehoods, in turning the public against the very organizations which truly act in the people's interest.

To cut through the tissue of fabrications, false issues, and deliberate distortions of labor's thoughts and action, I have directed the Legal Department of the CIO to prepare this analysis of the slogans of the current anti-labor campaign, and to set forth the facts and the truth. I commend it for careful reading, both by the general public, by members of our organizations, by the elected representatives of the people. It will help them better to understand the campaign against unionism, and to turn aside this attack of reaction.

For only forceful action and intelligent understanding by labor and the public as a whole can stay this vicious campaign.

*Abstracted from "The Drive Against Labor," published by the Congress of Industrial Organizations, Washington, D. C.

Labor's Attitude and Industrial Peace

By LEE PRESSMAN*

General Counsel, CIO

CIO official warns labor will fight to prevent proposed legislation, as curtailing its basic rights. Cites dwindling income and rising living cost of workers—stating latter was not caused by wage increases—as justifying strikes. Alleges corporate profits are one-and-three-quarter times 1929, three-and-three-quarters 1936-'39, and one-and-one-half times wartime high. Doubts voluntary price decreases by corporations "which brought about the dangerous inflation." States unions are suable in every state in Union.

At the outset, let me emphasize that industrial peace is desired by workers as fervently as common people everywhere yearn for peace between nations. The hardships, sacrifices and misfortunes suffered by workers during strikes and industrial warfare are not very dissimilar from the horrible consequences of international conflict.

Lee Pressman

When a large-scale strike occurs, our newspapers and radio commentators are given to dramatizing the personalities and statements of a few leaders. What is happening in the homes and to the personal lives of the strikers and their families receives but scant attention.

Personal Effects of Strikes on Workers

A fiercely fought strike may last for months. Evictions from homes may easily result. Violence has been known to occur resulting in deaths and serious injuries With savings depleted and no pay, the children may find themselves without sufficient clothes to attend school. The only available food for the family may be that received from relief or furnished by the union or other sympathetic groups. Medical care, even though essential, may be unobtainable.

Strikes necessarily result in brutal injury to the human beings involved.

This is the known penalty which confronts each and every worker

(Continued on page 314)

*An address by Mr. Pressman before Economic Club, New York City, Jan. 9, 1947.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Break through Dec. 28 lows puts market back into negative position. Some support visible under 170.

The recent action by the New York Stock Exchange against William Haskell, a customer's man, working for E. F. Hutton, for saying in court that he was "in the gambling business" himself, in an effort to get out of jury duty, has actually nothing to do with the stock market, a subject the column is theoretically concerned with. Still, to pass it by, is an opportunity too tempting to resist.

* * *

Emil Schram, NYSE president, taking umbrage at Haskell's observation, was quoted in the press as saying that he was suspending Haskell's registration because he (Haskell) "had a misconception of the business in which he has been engaged."

* * *

If Schram was quoted correctly then Schram also has a "misconception" of the business of the NYSE and that of its members. The majority of the NYSE members would go out of business if speculation were stopped. The word speculation has achieved an aura of respectability because it deals in the securities of well known firms and established governments. We call it speculation and the speculator is called a trader. Others call it gambling and participants gamblers. I'm not concerned with the name. Like thousands of others, I'm interested in profits. Stock Exchange members on the other hand live by commissions. The heavier the trading (or whatever name you care to give it) the bigger the commissions. It might be interesting to observe that there is a lot of talk about the possible reduction of margins. For what pur-

(Continued on page 314)

Treasury Removes Curbs on Imports of Foreign Issues

WASHINGTON, Jan. 15 (special to the "Chronicle") — Secretary Snyder announced today the removal of Treasury Department restrictions on the acquisition and importation of securities physically located outside the United States which are issued by foreign governments or foreign corporations and not payable in United States dollars.

As a result of today's action, the Treasury Department regulations with respect to the acquisition of securities not within the United States and with regard to the importation of securities henceforth will apply, in general only to the acquisition and importation of transferable securities issued prior to Dec. 7, 1941 (1) by persons in the United States and (2) by any person if payable in United States dollars.

These changes were in the form of an amendment to General License No. 87. At the same time General License No. 84, which authorized the importation of certain types of securities and currency, was revoked, since its provisions have all been incorporated in the new amendment of General License No. 87.

Maynard Retires as Chairman of Bklyn. Tr.

Edwin P. Maynard, Chairman of the Board of Trustees of Brooklyn Trust Co., announced on Jan. 14 that he would retire from active duties with the company for reasons of health, after the annual organization meeting of the Board on Jan. 16. Mr. Maynard, who will continue as a Trustee of the company, thus rounds out an active career of more than 64 years in Brooklyn banking, during which he also devoted so much effort to philanthropic, civic and other enterprises of public benefit that he received many honors from various organizations and has often been called "Brooklyn's Man of Charity," and "one of the First Citizens of Brooklyn."

More than half Mr. Maynard's 64 years in Brooklyn banking were spent with Brooklyn Trust Co., which he served as President from 1913 to 1927, and as Chairman of the Board from 1927 to the present time. Born in Brooklyn on July 12, 1864, he entered the employ of the Brooklyn Savings Bank in September, 1882, as an assistant bookkeeper, and during the next 20 years filled various positions as a result of successive promotions, becoming Comptroller in 1902 and President in 1912.

Provident Savings of Balt. Adds 14th Office

BALTIMORE, MD. — F. W. Wrightson, President of Baltimore's Provident Savings Bank, has announced that the ever-increasing demand for the services of that bank has necessitated the opening of still another office . . . bringing the number of Provident offices serving 160,000 depositors to 14.

The addition of this New York Road Office further demonstrates the success of the operation of this 60 year old savings bank whose deposits have been more than tripled in the last 10 years by a $50,000,000 increase . . . bringing the total to over $76,000,000.

ADVERTISEMENT

REPORT OF CONDITION OF

Underwriters Trust Company

of 50 Broadway, New York 4, New York, at the close of business on December 31, 1946, published in accordance with a call made by the Superintendent of Banks pursuant to the provisions of the Banking Law of the State of New York.

ASSETS	
Loans and discounts (including $1,258.59 overdrafts)	$14,023,503.54
United States Government obligations, direct and guaranteed	10,552,265.77
Obligations of States and political subdivisions	4,701,639.93
Other bonds, notes, and debentures	997.50
Cash, balances with other banking institutions, including reserve balances, and cash items in process of collection	7,223,831.86
Banking premises owned, none; furniture and fixtures and vaults	1.00
Other assets	122,198.22
TOTAL ASSETS	$36,624,437.82

LIABILITIES	
Demand deposits of individuals, partnerships, and corporations	$21,096,885.98
Time deposits of individuals, partnerships, and corporations	5,491,412.16
Deposits of United States Government	490,373.02
Deposits of States and political subdivisions	5,309,482.94
Deposits of banking institutions	392,365.66
Other deposits (certified and officers' checks, etc.)	1,047,878.96
TOTAL DEPOSITS $33,828,398.72	
Other liabilities	212,496.57
TOTAL LIABILITIES	$34,040,895.29

CAPITAL ACCOUNTS	
Capital†	$1,000,000.00
Surplus fund	750,000.00
Undivided profits	833,542.53
TOTAL CAPITAL ACCOUNTS	$2,583,542.53
TOTAL LIABILITIES AND CAPITAL ACCOUNTS	$36,624,437.82

†This institution's capital consists of common stock with total par value of $1,000,000.00.

MEMORANDA	
Pledged assets (and securities loaned) (book value):	
U. S. Government obligations, direct and guaranteed, pledged to secure deposits and other liabilities	$2,505,902.14
Other assets pledged to secure deposits and other liabilities (including notes and bills rediscounted and securities sold under repurchase agreement)	1,548,507.08
Assets pledged to qualify for exercise of fiduciary or corporate powers, and for purposes other than to secure liabilities	157,300.00
Securities loaned	121,968.65
TOTAL	$4,333,677.87
Secured and preferred liabilities:	
Deposits secured by pledged assets pursuant to requirements of law	$4,004,183.02
Other liabilities secured by pledged assets	128,250.00
Deposits preferred under provisions of law but not secured by pledge of assets	3,136,108.51
TOTAL	$7,268,541.53

I, WILLIAM D. PIKE, Secretary of the above-named institution, hereby certify that the above statement is true to the best of my knowledge and belief.

WILLIAM D. PIKE

Correct—Attest:
C. W. KORELL
SUMNER FORD
JOSEPH B. V. TAMNEY
Directors

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Fire insurance stocks closed the year 11.5% below their 1945 year-end prices, and casualty insurance stocks 11.2%, as measured by Standard & Poor's weekly indices, as follows:

	Fire Stocks	Casualty Stocks
January 2, 1946	135.0	181.3
December 31, 1946	119.5	161.0
Change	—11.5%	—11.2%

These compare with a decline of 8.1% in the Dow Jones Industrial average. Individual insurance stocks, however, varied widely from the indices.

The accompanying tabulation shows the market changes during the year 1946 of 25 fire insurance stocks and 8 casualty insurance stocks, arranged in the order of their percent decline.

	Asked Prices		
Fire Insurance Stocks	12-31-45	12-31-46	% Change
Bankers & Shippers	90	66	—36.7%
American Equitable	26¾	17¾	—33.6
Home Insurance	31¾	24¾	—22.0
Franklin Fire	26¼	20⅝	—21.4
Great American	35⅝	28⅜	—20.4
Fire Association	69	55	—20.3
Hanover Fire	32¾	25¾	—20.2
Agricultural Ins.	89½	73	—18.4
Boston Insurance	79	65	—17.7
Security Insurance	37	30½	—17.6
Springfield F. & M.	128	106½	—16.8
U. S. Fire	60	50	—16.7
New Brunswick	31	26	—16.1
St. Paul F. & M.	79	67	—15.2
National Fire	62	53	—14.5
Hartford Fire	122½	106¼	—13.3
North River	25½	22½	—11.8
Fidelity-Phenix	63½	56	—11.8
Prov. Washington	41	36½	—11.0
Continental Ins.	56½	51⅜	— 9.1
Phoenix Insurance	97	89	— 8.2
Glen Falls	54½	51½	— 5.5
Aetna Insurance	58½	56½	— 3.4
New Hampshire	52½	51½	— 1.9
Ins. of North America	96¼	100	+ 3.9
Average of 25			—15.2%
Casualty Stocks—			
Maryland Casuality	19¾	11½	—41.8%
American Surety	74½	61½	—17.4
Continental Casualty	59	52½	—11.0
Seaboard Surety	58½	53	— 9.4
American Casualty	13¼	12⅜	— 6.6
Mass. Bonding	92½	86½	— 6.5
U. S. Fidelity & Guaranty	49½	47¼	— 4.5
Fidelity & Deposit	172	168	— 2.3
Average of 8			—12.4%

The 25 fire stocks were down 15.2% on average, and the 8 casualty stocks were down 12.4%.

Bankers & Shippers and American Equitable showed maximum declines in the fire group, and this is not surprising; American Equitable has reported net underwriting losses in each year since 1940 and Bankers & Shippers in three years out of the five subsequent to 1940; presumably each will also report net underwriting losses for the year 1946.

It will be observed that thirteen stocks out of the 25 declined more than the average of 15.2%; one stock, viz. St. Paul Fire & Marine, declined the same as the average; eleven stocks declined less than average, while one stock, Insurance of North America, appreciated in market price.

In the casualty group, with an average decline of 12.4%, Maryland Casualty made the worst performance with a drop of 41.8%; best performance was the 2.3% decline of Fidelity & Deposit.

Maryland Casualty's market action was affected by the recapitalization which was effected on July 30, 1946, whereby R. F. C. indebtedness of around $30,000,000 was retired. As of Dec. 31, 1945, Maryland's capitalization consisted of 270,000 shares of $3 cumulative preferred, $10 par, and 2,274,273 shares of common, $1 par. All the preferred was owned by the R. F. C. and 1,474,450 shares of the common. After recapitalization, which provided about $24,000,000 of contributed funds, capital became as follows:

$2.10 cumulative conv. prior preferred ($10 par)	$2,399,400
$1.05 convertible preferred ($5 par)	2,399,400
Common stocks ($1 par)	799,823
	$5,598,623

Present capitalization is $624,350 higher than the $4,974,273 of Dec. 31, 1945, an increase of 12.5%.

Long range market comparison of insurance stocks with industrial stocks may be of interest, and are therefore presented below:

	Standard & Poor's Weekly Index			Dow Jones
	Fire Stocks	Cas. Stocks	402 Stocks	Indus. Av.
1942 Lows	86.8	101.4	60.8	92.92
December 31, 1946	119.5	161.0	126.7	177.20
Change	+37.7%	+58.8%	+108.4%	+90.7%

It is obvious that both fire and casualty stocks have lagged considerably behind the general market since 1942, as measured by Standard & Poor's composite index of 402 stocks, and they are also behind the Dow Jones Industrial average. Casualty stocks, however, have appreciated substantially more than have fire stocks.

If we go back still further to the 1932 lows, the comparison is as follows:

	Standard & Poor's Weekly Index			Dow Jones
	Fire Stocks	Cas. Stocks	402 Stocks	Indus. Av.
1932 Lows	26.0	27.4	34.3	41.22
December 31, 1946	119.5	161.0	126.7	177.20
Change	+359.6%	+487.6%	+269.4%	+329.9%

This second comparison, taken in conjunction with the first, indicates that the lag has been confined to the period since 1942, a period of excessive fire losses, for over the longer term insurance stocks have appreciated considerably more than the general market as measured by Standard & Poor's 402 stock index. It is also of interest to observe that the "quality" stocks, which comprise the Dow Jones Industrial Average, have done better over the long term than the general market. This exhibit appears to bear out the contention of this writer, that well selected fire and casualty insurance stocks are excellent long-term investments.

Ingersoll Heads Phila. Securities Association

PHILADELPHIA, PA.—William B. Ingersoll, of Stroud & Co., Inc., was elected President of the Philadelphia Securities Association at

William B. Ingersoll Harold Scattergood

the annual dinner meeting of the Association at the University Club. He succeeds H. Clifton Neff, of Schmidt, Poole & Co., the 1946 President.

Other officers elected were: Vice-President, Harry C. Rippard, Buckley Brothers; Treasurer, G. Ellwood Williams, Pennsyvania Co.; and Secretary, Harold Scattergood, Boenning & Co.

For membership on the Board of Governors to serve for three years the following were elected: Harold Scattergood; Newlin Davis, Kidder, Peabody & Co.; Harry B. Snyder, Yarnall & Co.; and William B. Ingersoll.

ADVERTISEMENT

Notice of the Sale of Bonds

(RE-ADVERTISEMENT)

Sealed proposals will be received in the office of the Clerk of the Board of Education of Jackson Township Local School District, Stark County, Ohio, O. C. Hoverland, R. D. No. 4, Massillon, Ohio, until twelve o'clock noon, February 7, 1947, for the purchase of bonds of said school district in the aggregate amount of Three Hundred and Fifty Thousand ($350,000.00) Dollars, dated approximately February 1, 1947, and bearing interest at not to exceed 4% per annum, payable semi-annually and issued for the purpose of constructing and equipping a new fireproof high school building and for the purpose of improving the present fireproof high school building, and under authority of the Laws of Ohio and of Sections 2293-1 et seq. of the General Code of Ohio, and under and in accordance with a Resolution of the Board of Education of said school district to issue said bonds, which Resolution was duly passed by the Board on the 10th day of December, 1946, and was amended in certain particulars on the 14th day of January, 1947.

Said bonds are of the denominations and shall mature as follows: Said bonds shall be serial bonds numbered from one (1) to three hundred and fifty (350) inclusive. They shall be dated approximately February 1, 1947. All bonds shall be in the denominations of One Thousand ($1,000.00) Dollars each. Said bonds shall mature according to the following schedule: Nine (9) bonds of One Thousand ($1,000.00) Dollars each shall mature June 1, 1948, and nine (9) bonds of One Thousand ($1,000.00) Dollars each shall mature December 1, 1948. The same schedule of retirement shall be observed on the anniversaries of June 1 and December 1 from the year 1948 to and including the year 1966, or for a period of nineteen (19) years. During this period of time a total of Eighteen Thousand ($18,000.00) Dollars of bonds shall be retired in each year. On June 1, 1967 four (4) bonds of One Thousand ($1,000.00) Dollars each shall become due, and on December 1, 1967 four (4) bonds of One Thousand ($1,000.00) Dollars each shall become due, so that the total issue shall not exceed maturities of twenty (20) years.

Anyone desiring to do so may present a bid or bids for said bonds bearing a rate of interest different than specified in the advertisement, providing, however, that where a fractional interest rate is bid, such fractions shall be one-fourth (¼) of one percent (1%), or multiples thereof. Said bonds will be sold to the highest bidder at the time and place above mentioned at not less than par and accrued interest. Bids may be made upon all or any number of bonds in this issue. All bids must state the number of bonds bid for and the gross amount of bid and accrued interest to date of delivery. All bids must be accompanied by a certified check drawn in favor of the Board of Education of Jackson Township Local School District in the sum of $3,500.00. The Board of Education of said School District reserves the privilege to reject any and all bids.

Bids should be sealed and endorsed "Bids for Jackson Township School Bonds".

By order of the Board of Education of Jackson Township Local School District, Stark County, Ohio.

O. C. HOVERLAND, Clerk
R. D. No. 4, Massillon, Ohio

New Issues

$12,000,000
East Bay Municipal Utility District
California

Second Mokelumne Aqueduct

1¾% and 1½% Bonds

Dated February 1, 1947 — Due February 1, 1948-72, incl.

Bonds numbered 1 to 7200, inclusive, maturing by their terms on or prior to February 1, 1962, are not subject to redemption prior to their fixed maturity dates. Bonds numbered 7201 to 12000, inclusive, maturing on and after February 1, 1963, are subject to call and redemption, at the option of the District, on 30 days' notice, as a whole, or in part, in inverse numerical order from higher to lower, on February 1, 1962 (but not prior thereto), at a premium of 2½%, and on any interest payment date thereafter at a premium reducing ¼ of 1% for each year from date of redemption to date of fixed maturity.

$23,500,000
East Bay Municipal Utility District Special District No. 1
California

Sewage Disposal

2½%, 1¾% and 2% Bonds

Dated February 1, 1947 — Due February 1, 1951-87, incl.

Bonds numbered 1 to 13970, inclusive, maturing by their terms on or prior to February 1, 1972, are not subject to redemption prior to their fixed maturity dates. Bonds numbered 13971 to 23500, inclusive, maturing on and after February 1, 1973, are subject to call and redemption, at the option of the District, on 30 days' notice, as a whole, or in part, in inverse numerical order from higher to lower, on February 1, 1972 (but not prior thereto), at a premium of 3¾%, and on any interest payment date thereafter at a premium reducing ¼ of 1% for each year from date of redemption to date of fixed maturity.

Principal and semi-annual interest (February 1 and August 1), payable at the office of the Treasurer of the East Bay Municipal Utility District in Oakland, California, or at the office of the Fiscal Agent of the East Bay Municipal Utility District in New York City at the holder's option.
Coupon bonds in denomination of $1,000 registerable only as to both principal and interest.

In the opinion of counsel, interest payable by the District upon its Bonds is exempt from all present Federal and State of California Personal Income Taxes under existing statutes, regulations and court decisions.

Legal investment, in our opinion, for Savings Banks and Trust Funds in California.

AMOUNTS, MATURITIES AND YIELDS
(accrued interest to be added)

$480,000 due each February 1, 1948-72, incl.

Due	Coupon Rate	Price to Yield	Due	Coupon Rate	Price to Yield	Due	Coupon Rate	Yield or Price
1948	1¾%	.65%	1956	1½%	1.25%	1965	1¾%	1.75%
1949	1¾	.75	1957	1½	1.30	1966	1¾	1.75
1950	1¾	.85	1958	1¾	1.40	1967	1¾	99½
1951	1¾	.95	1959	1¾	1.45	1968	1¾	99
1952	1¾	1.05	1960	1¾	1.50	1969	1¾	98¾
1953	1¾	1.10	1961	1¾	1.55	1970	1¾	98½
1954	1¾	1.15	1962	1¾	1.60	1971	1¾	98¼
1955	1½	1.20	1963	1¾	1.65	1972	1¾	98
			1964	1¾	1.70			

AMOUNTS, MATURITIES AND YIELDS
(accrued interest to be added)

$635,000 due each February 1, 1951-86, incl.
$640,000 due February 1, 1987

Due	Coupon Rate	Price to Yield	Due	Coupon Rate	Yield or Price	Due	Coupon Rate	Yield or Price
1951	2½%	.95%	1963	1¾%	1.65%	1976	2%	2.00%
1952	2½	1.05	1964	1¾	1.70	1977	2	2.00
1953	2½	1.15	1965	1¾	1.75	1978	2	2.00
1954	2½	1.20	1966	1¾	1.75	1979	2	2.00
1955	2½	1.25	1967	1¾	99½	1980	2	99¾
1956	2½	1.30	1968	1¾	99	1981	2	99½
1957	2½	1.35	1969	1¾	98¾	1982	2	99¼
1958	1¾	1.40	1970	1¾	98½	1983	2	99
1959	1¾	1.45	1971	1¾	98¼	1984	2	98¾
1960	1¾	1.50	1972	1¾	98	1985	2	98½
1961	1¾	1.55	1973	2	1.90%	1986	2	98¼
1962	1¾	1.60	1974	2	1.95	1987	2	98
			1975	2	1.95			

The above Bonds are offered when, as and if issued and received by us and subject to approval of legality by Messrs. Orrick, Dahlquist, Neff, Brown & Herrington, Attorneys, San Francisco, California.

Bank of America N. T. & S. A. — The National City Bank of New York — Bankers Trust Company — The Chase National Bank — American Trust Company — Harris Trust and Savings Bank

The Northern Trust Company — Blyth & Co., Inc. — The Anglo-California National Bank of San Francisco — The First Boston Corporation — Harriman Ripley & Co. Incorporated — Smith, Barney & Co.

R. H. Moulton & Company — Weeden & Co., Inc. — Chemical Bank & Trust Company — Drexel & Co. — Kidder, Peabody & Co. — Union Securities Corporation

Security-First National Bank of Los Angeles — Salomon Bros. & Hutzler — R. W. Pressprich & Co. — The First National Bank of Portland, Ore. — Heller, Bruce & Co., Inc.

Merrill Lynch, Pierce, Fenner & Beane — California Bank Los Angeles — Seattle-First National Bank — The National Bank of Commerce of Seattle — William R. Staats Co.

Dean Witter & Co. — Lee Higginson Corporation — Equitable Securities Corporation — Estabrook & Co. — Braun, Bosworth & Co. Incorporated — Stranahan, Harris & Company Incorporated

First of Michigan Corporation — Trust Company of Georgia — G. H. Walker & Co. — Central Bank Oakland — Roosevelt & Cross, Inc. — The Continental National Bank & Trust Co. of Salt Lake City

Lawson, Levy & Williams — E. M. Newton & Co. — Stroud & Company Incorporated — Lyons & Shafto, Inc. — Martin, Burns & Corbett, Inc. — Donald MacKinnon & Co.

Hannaford & Talbot — Stone & Youngberg — Ginther & Company — C. N. White & Co. — Shuman, Agnew & Co.

January 15, 1947

Real Estate Securities

Douglas of Statler Sees 1947 As Good Year for Hotels

The outlook for the hotel industry in 1947 is excellent, according to Arthur F. Douglas, President of the Hotels Statler Company, owner and operator of a chain of recognized first class hotels throughout the country. The Statler Hotels, in fact, Mr. Douglas said in an exclusive interview with a "Chronicle" representative not many days ago, are planning for a year of good business. The volume of hotel trade reflects, as in a mirror, the state of business conditions generally, Mr. Douglas declared. Naturally then, certain qualifications must be met if the hotel business—just as business in other lines—is to be maintained at high levels of activity during the coming year, Mr. Douglas pointed out. If labor, management and government do not place obstructions in the way of trade, there is no reason at all why business shouldn't be real brisk everywhere in the land throughout the coming year, he thought.

Arthur F. Douglas

Not claiming infallibility for his views, in fact, pointing out very emphatically that of course he could be wrong, Mr. Douglas said he believed that the era of lust profits from what he called the "Crazy money" of the war period was definitely over for the hotel industry. The hotel trade has gone "over the hump" of easy money in the cycle of trade, he pointed out. This does not mean, however, that there need necessarily be any serious decline in the volume of business or in profits, he said.

Hotel costs have increased considerably, true, he pointed out. Before the war, for instance, the Staler Hotels required only 35% occupancy to break even on costs but now the break-even point is about 80%, or more than twice what it was, he said. Elevator men used to earn $20 a week but now they get $35, he declared. But, at the moment anyhow, occupancy in the Statler Hotels is running around 94%, he revealed. However, it should be kept in mind in this connection that in the average large hotel, 100% occupancy because of the constant repairs that must be made is practically an impossibility, he pointed out.

Another round of the sort of wage demands that were made by the labor unions upon the hotel industry last year would of course seriously injure the hotel business, he declared. Considerably more than a 10% increase in the rents on rooms for transients, for example, would be required to offset the $500,000 which were added to the annual payrolls of the Statler Hotels in the wage increases granted to employees last year alone, Mr. Douglas said.

Likewise, another round of unreasonable demands upon the big industries would injure business in general and, eventually, very likely the hotel trade, he said. The Ford Motor Company can't go on losing $65,000,000 a year, he declared. There is a definite limit, too, to the wage increases which even a giant concern like General Motors can pay to its help, he stated. It would indeed be bad for the economy as a whole if a company like General Motors, in fact, should run into serious financial difficulties, he thought.

Though it might seem at this time that the hotel industry faces the possibility of being caught in a vicious squeeze between declining business and mounting costs, actually the prospect is nothing of the sort, Mr. Douglas thought. Compensatory relief will be forthcoming from prices that must remain at inflationary levels for some time yet, he said. Businessmen traveling on expense accounts will not find it a hardship to pay the rates which must be charged to make the hotels, upon which they rely for service, going concerns, either, he felt. It is likely, too, that the labor market will ease up just enough to enable the better hotels to obtain very soon the kind of help it has wanted to hire for years to give the sort of service traditionally associated with their establishments, he pointed out.

The forgotten men in the business world today are the white collar workers and the investors, Mr. Douglas declared. Having assisted in the reorganization of more than 100 properties, including hotels and commercial buildings, that ran into financial difficulties following the great boom of building construction in New York and elsewhere in the twenties, Mr. Douglas said he had some appreciation of the problems which face the men who finance hotel ventures. The situation in the hotel industry at the present time is nothing like what it was a decade and two ago, he pointed out. Hotels generally have been using their war-time earnings to pay off their obligations, he said. Managements, too, for the most part are composed of men who learned their lesson in financial matters connected with the business during the difficult days after the '29 crash, Mr. Douglas declared.

There is not going to be the hotel construction after this war that there was after the last but still there is going to be some new construction now in carefully selected areas, he stated. Cities like Los Angeles, Cal., Houston, Tex., Atlanta, Ga., and Hartford, Conn., large and growing cities which lack ample first class hotel accommodations, will very likely get new hotels, Mr. Dougles thought. The Hotels Statler Company, for instance, has purchased a site for a hotel in Los Angeles, he revealed. Construction will commence as soon as factors having a bearing on both the quality and the cost of materials that will be required are judged to be proper, he said.

The Hilton chain of hotels has been enlarged in recent years through the purchase of old buildings on the theory that there wasn't going to be any sizeable amount of new hotel construction, Mr. Douglas said. The feeling is widespread in the industry today, however, he said, that it pays better to buy an old building than to put up a new one. However, he gave it as his opinion that the buying of an old property at $7,500,000 in a community where a new building would cost only $9,000,000 isn't good business.

Austrian Blocked Accounts De-Frosted

WASHINGTON, Jan. 15 (special to the "Chronicle") — Secretary Snyder announced to day that Austria has been added to the list of countries whose blocked accounts may be released under the certification procedure of General License No. 95. This action was taken after an exchange of Letters between the Austrian Minister of Finance Zimmerman and Secretary Snyder similar to those written in connection with the defrosting of the countries previously named in the License. Copies of the letter are available at the Federal Reserve Bank of New York.

The Austrian Government has designated the Austrian National Bank as its certifying agent.

Says State Does Not Have Power to Maintain Control Over Hotel Transient Room Rentals

Assemblyman D. Mallory Stephens, author of New York's little OPA bill and Chairman of the Joint Legislative Committee on Rents, says amendment to State's price control measure would be necessary to give State authority to continue price controls on hotel transient room rents when Federal ceilings are lifted from them on Feb. 15. Hotels, believing State controls will not be imposed, are going ahead with plans to increase rates from 15 to 25%.

New York State can not—under the powers granted to it by its little OPA bill—maintain controls over hotel transient room rents when Federal ceilings are lifted from them on Feb. 15, according to Assemblyman D. Mallory Stephens, author of the New York little OPA measure and chairman of the Joint Legislative Committee on Rents.

An amendment would be necessary to make the New York bill apply in this case, he told the "Chronicle" this week.

The New York bill would set up a price control commission and staff in the state only in the event that the Federal OPA mechanism were to be scrapped altogether, he pointed out. The mere revision of a single price ceiling, like the one on hotel transient rooms, by the Federal authorities does not constitute grounds for state action, he thought.

Former Assemblyman John J. Lamula, legislative representative of the Joint Rent Action Committee, however, it is reported, contends that the State law does cover transient hotel room rentals, even if such rentals should constitute a special case, and so consequently does become operative on the lifting of the Federal ceilings.

It is known that the hotels, believing that State controls will not be imposed, are going ahead with plans to increase the rates on their transient rooms from 15 to 25%. In some cases, the transient rooms constitute only a small percentage of the total space of a hotel. One large hotel in a populous upstate city, for instance, has revealed it has only two strictly transient rooms.

Bank of America and Nat'l City Bank Group Offer $35,500,000 Bds.

Offering of a new issue of $12,000,000 East Bay Municipal Utility District California Second Mokelumne Aqueduct 1¾% and 1½% bonds; maturing Feb. 1, 1948 to 1972, inclusive, is being made today by a nation-wide group of 51 underwriters, headed by Bank of America, N.T.&S.A., and National City Bank.

The same group also is offering another new issue of $23,500,000 East Bay Municipal Utility District Special District No. 1, California Sewage Disposal 2½%, 1¾% and 2% bonds, maturing from Feb. 1, 1951 to 1987, inclusive.

The Aqueduct bonds are priced to yield from .65% to 1.75% for the 1948 to 1966 maturities and are offered at dollar prices of from 99½ to 98 for the 1967 to 1972 maturities. The bonds maturing prior to Feb. 1, 1962, are not subject to redemption prior to fixed maturity dates. Bonds maturing on and after February 1, 1963, are subject to call and redemption at the option of the district in inverse numerical order, as a whole or in part, on Feb. 1, 1962, but not prior thereto, at a premium of 2½% and on any interest payment date thereafter at a premium reducing ¼ of 1% for each year and fraction thereof from date of redemption to date of fixed maturity.

The Sewage Disposal Bonds are priced to yield from .95% to 2% for the 1951 to 1979 maturities and at dollar prices or from 99¾ to 98 for the 1980 to 1987 maturities. The bonds maturing prior to February 1, 1972 are not subject to redemption prior to fixed maturity dates. Bonds maturing on and after Feb. 1, 1973, are subject to call and redemption at the option of the District, as a whole or in part, in inverse numerical order, on 30 days' notice on Feb. 1, 1972, but not prior thereto, at a premium of 3¾% and on any interest payment date thereafter at a premium reducing ¼ of 1% for each year and fraction thereof from date of redemption to date of fixed maturity.

With Howard Labouisse Co.

(Special to The Financial Chronicle)

NEW ORLEANS, LA.—Hilliard E. Miller has been added to the staff of Howard, Labouisse, Friedrichs & Co., Hibernia Building, members of the New Orleans Stock Exchange.

With Baldwin, White

(Special to The Financial Chronicle)

PORTLAND, MAINE — Alfred L. Wagner has become associated with the staff of Baldwin, White & Co., Chapman Building.

Two With Clifford Murphy Co.

(Special to The Financial Chronicle)

PORTLAND, MAINE—Thomas M. Henderson and Thomas H. Ranaghan have joined the staff of Clifford J. Murphy Co., 443 Congress Street. Mr. Henderson in the past was with Frederick M. Swan & Co.

Townsend Dabney Adds

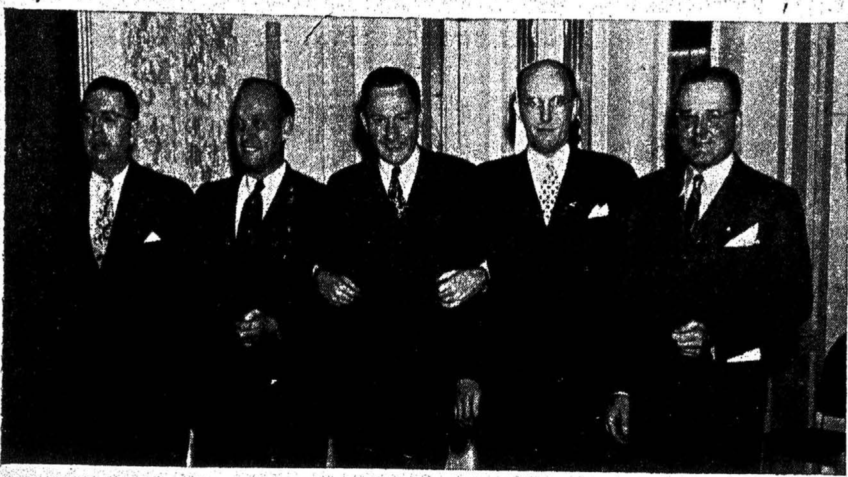
PORTLAND, MAINE—Howard C. Jordan, Jr. has become connected with Townsend, Dabney & Tyson, 184 Middle Street.

With Swan Stickley Staff

(Special to The Financial Chronicle)

PORTLAND, MAINE — Eldred W. Larkin of Caribou has joined the staff of Swan, Stickley & Co., 75 Federal Street, Boston, Mass.

Cincinnati Stock and Bond Club Election Party



National Officers Past and Present—Ed Welch, *Sincere & Co.*, Chicago, *Secretary;* Vic Mosely, *Stroud & Co.*, Philadelphia, *President;* Henry Arnold, *Clair S. Hall & Co.*, Cincinnati, *Past President;* Ed Parsons, *Wm. J. Mericka & Co.*, Cleveland, *Past President;* Tom Graham, *Bankers Bond Co.*, Louisville, *Past President.*

Joe Vasey, *H. B. Cohle & Co.*, Cincinnati; Fred Latscha, *Frederic Latscha & Co.*, Cincinnati; Harry Vonderhaar, *Westheimer & Co.*, Cincinnati, *President of Cincinnati Traders Ass'n.;* Vic Mosely, *Stroud & Co., Inc.*, Philadelphia; Tom Graham, *Bankers Bond Co.*, Louisville; Chas. Odenweller, Jim Duffy.

Fred Latscha, *Frederic Latscha & Co.*, Cincinnati; Arch Montague, *W. E. Hutton & Co.*, Cincinnati; George Grady, *John E. Joseph & Co.*, Cincinnati; Mimi; Walter Dehner, *Browing & Co.*, Cincinnati; John Muehlenkamp, *Van Lahr, Doll & Isphording*, Cincinnati; Ed Parsons, *Wm. J. Mericka & Co.*, Cleveland.

Lee Staib, *Geo. Eustis & Co.*, Cincinnati; George Grady, *John E. Joseph & Co.*, Cincinnati; Paul Moreland, *Moreland & Co.*, Detroit; Mort Cayne, *Cayne & Co.*, Cleveland; Ralph Bloom, *J. F. Reilly & Co.*, Chicago; Jim Crum, *Vercoe & Co.*, Columbus; (background) Tom Hughes, *Edw. Brockhaus & Co.*, Cincinnati.

Jean Bennett, *J. E. Bennett & Co.*, Cincinnati; Harry Vonderhaar, *Westheimer & Co.*, Cincinnati; Vic Mosely, *Stroud & Co., Inc.*, Philadelphia; Joe Work, *Weiss, Work & Co.*, Cincinnati.

Ed Welch, *Sincere & Co.*, Chicago; George Grady, *John E. Joseph & Co.*, Cincinnati; Lee Staib, *Geo. Eustis & Co.*, Cincinnati; Paul Yarrow, *Clement, Curtis & Co.*, Chicago; Fred Latscha, *Frederic Latscha & Co.*, Cincinnati; Fred Korros, *Westheimer & Co.*, Cincinnati; Mort Cayne, *Cayne & Co.*, Cleveland; (background) Henry Arnold, *Clair S. Hall & Co.*, Cincinnati.

John Joseph, *John E. Joseph & Co.*, Cincinnati; Bill Berlage, *H. B. Cohle & Co.*, Cincinnati; Jim Crum, *Vercoe & Co.*, Columbus; Ralph Bloom, *J. F. Reilly & Co.*, Chicago; H. T. Mallon, *J. A. White & Co.*, Cincinnati; George Kountz, *J. A. White & Co.*, Cincinnati; Arch Montague, *W. E. Hutton & Co.*, Cincinnati; Mort Cayne, *Cayne & Co.*, Cleveland; Bob Jameson, *Pohl & Co.*, Cincinnati; George Grady, *John E. Joseph & Co.*, Cincinnati; Chet Terrell, *Westheimer & Co.*, Cincinnati; Lee Staib, *Geo. Eustis & Co.*, Cincinnati.

Bill Middendorf, *Middendorf & Co.*, Cincinnati; Jack Neumark, *Middendorf & Co.*, Cincinnati; Bill Cummins, *A. E. Aub & Co.*, Cincinnati; Geo. Happley, *C. H. Reiter & Co.*, Cincinnati; Harry Hudepohl, *Ballinger & Co.*, Cincinnati; Lloyd Shepler, *Merrill Lynch, Pierce, Fenner & Beane*, Cincinnati; George Oswald, *Clair S. Hall & Co.*, Cincinnati; Fred Becker, *Field, Richards & Co.*, Cincinnati; Geo. Minning, *Harrison & Co.*, Cincinnati; Tom Tritten.

Railroad Securities

Southern Railway Securities

Southern Railway securities have been giving a good account of themselves recently in a general market which has wavered between uncertainty and actual weakness. The common stock has rebounded more than 36% from the lows established a few months ago. Many analysts see in this performance a growing realization by speculators and investors of the vast improvement in the status of the road in recent years and the favorable intermediate and longer term earnings potentialities. These analysts point out that the shares even at current levels afford a return of 6.67% on the basis of the current $3.00 dividend rate, which is considered as eminently safe over the visible future, and look for even further strength as public confidence in well situated rail equities returns.

For the 11 months through November earnings on the stock amounted to $3.17 a share which was apparently without the benefit of any tax carry-back credits. In the estimate of earnings filed with the Interstate Commerce Commission some months ago in connection with the request for freight rate increases the management contemplated a carry-back credit for the year amounting to close to $1.00 a share on the common. With this credit the full year's earnings were estimated at just about $5.00 a share. It is probable that actual results will come close to this estimate. With expenses coming under greater control, and with the benefits of the rate increases effective Jan. 1, 1947, it has been variously estimated that the road should be able to show earnings of between $7.00 and $10.00 a share this year.

While earnings this year should cover the present dividend rate two and a half to more than three times there is little hope in most quarters that the disbursement might be increased. While finances are strong the road still has some debt problems to face. The management of Southern was one of the first in the industry to embark on an aggressive program of debt retirement and a good job has already been done. Since the beginning of 1941 more than $70,000,000 of non-equipment debt of the company and its leased lines has been retired. In the process, fixed charges have been cut by about 30%. In one respect, however, the road has been unfortunate. The bulk of its debt, carrying unusually high coupons, is non-callable. As prices for the bonds advanced well above par even the process of open market purchases for retirement had to be moderated and finally abandoned. Thus the company is still faced with the maturity of some $112,600,000 of non-equipment debt within the next 10 years. While these maturities are by no means considered as a potentially serious threat they will presumably militate against a too liberal dividend policy.

One of the most favorable aspects of the Southern Railway picture is the long term growth of the freight traffic potential in the service area. Despite political pronouncements to the effect that an inequitable freight rate structure has strangled the south there has been a very pronounced industrial expansion over a period of years. With its lines virtually blanketing the southeast, Southern Railway has reaped the fullest advantage of this strong secular trend. Steel mills, aluminum, automobile plants, the paper industry, and plastics and synthetics are among the important enterprises that have added their influence to the older textile industry in this area. Many of these are still in their infancy and received paricular stimulus from conditions arising from the war. Industrial growth of the south was advanced 15 or 20 years during the war period which augurs well for continuation of Southern Railway's favorable traffic and revenue trends from here on.

A final consideration in the Southern picture has been the large sums spent on capital improvements over recent years. Some diesel power has been installed and more is expected. A large number of new freight cars have been put in service. Heavier rail has been adopted as standard on the main lines. Long life ties have been laid over most of the system. A comprehensive program for eliminating trestles, reducing grades and curvature, has been followed. All of these expenditures look towards a greater degree of operating efficiency and the end has by no means been reached as yet. With traffic prospects bright, the way paved for greater efficiency, and fixed charges reduced materially, the prospects appear bright for maintenance of highly satisfactory earnings on the junior equity for a considerable time to come at least.

Salomon Bros & Hutzler Offer Swift Debentures

Salomon Bros. & Hutzler, as selling agents, placed on the market Jan. 15, $50,000,000 of debentures of Swift & Co., the nation's leading meat packer. The offering, the first major financing of the new year, consists of $35,000,000 25-year 2⅝% debentures, due Jan. 1, 1972, and $15,000,000 serial debentures. The latter mature $1,500,000 each Jan. 1 from 1948 to 1957, inclusive, and bear interest rates ranging from 1.10% for the 1948 maturity to 1.90% for the final maturity in 1957. The 25-year term debentures were priced at 100½% and accrued interest and the serial debentures at 100% and accrued interest for all maturities. Both issues have been oversubscribed.

Proceeds from the sale will be used by Swift & Co. to redeem on or about Feb. 14, 1947, all of the company's outstanding long-term debt, consisting of $12,500,000 20-year 2¾% debentures due May 1, 1961, and $6,250,000 serial debentures 1.55% to 2.05%, due May 1, 1947 to May 1, 1951, inclusive. The 1961 debentures will be redeemed at 101½% and the outstanding serial debentures at par, plus accrued interest in both cases. The balance of the proceeds will be added to the company's general funds and used to finance future plant replacement, expansion and acquisitions to meet the anticipated postwar demand for the company's products, and for additions to working capital.

Upon completion of the financing, outstanding capitalization will comprise the $50,000,000 debentures and 5,922,196 shares of capital stock with a par value of $25 per share.

Craigmyle, Pinney to Admit

Craigmyle, Pinney & Co., of 1 Wall Street, N. Y. City, members of the New York Stock Exchange, will admit Walter Beecken to partnership as of Jan. 23.

Varga Esky-Pads

B. S. Lichtenstein & Co., 99 Wall Street, New York City, is distributing "Esky-Pads" for memoranda, with the Esquire Varga-girl on the cover. The pads may be on request.

Retailing and the Labor Laws

By PAUL H. NYSTROM*

Professor of Marketing, Columbia University
President, Limited Price Variety Stores Association

Urging drastic amendment, if outright repeal of New Deal labor laws cannot be procured, Dr. Nystrom advocates: (1) enumeration of unfair union practices; (2) effective enforcement of labor contracts; (3) restriction of strikes to single plants; and (4) prohibition of closed shop. Holds present Fair Labor Standards Act is basic cause of inflation, since it tends to raise wages and shorten hours without increased production and also forces payment of basic wage to inefficient or marginal workers. Sees no permanent prosperity in higher wages without increased productivity, and advocates as inflation check (1) repeal of laws restricting development of national economy; (2) abolition of overtime penalty in Fair Labor Standards Act; and (3) abandonment of minimum wage as means of boosting wages.

Retailers have a very keen interest in the establishment of sound business conditions. A first essential of such conditions is finding some way of maintaining peaceful labor conditions. There is a strong desire as well as hope that during the coming year a remedy may be found for the conditions that made 1946 the worst labor year in the history of this country.


Paul H. Nystrom

Retailers hope that fundamental changes may be effected not merely for themselves and for other employers, but also for the great majority of employees who have obviously become unwitting pawns in the great labor disturbances engineered by their leaders. Retailers also have an interest in finding the answer for the good of their customers, the 140,000,000 people in whose service they are employed. Whatever is good for the public is good for retailers. Certainly a continuance of the labor conditions such as we have had in recent years is not good for anyone.

Restore Balance Between Labor and Management

There are now a good many thinking people who believe that present labor evils stem directly from practices not only permitted but encouraged by labor legisla-

(Continued on page 302)

*An address by Dr. Nystrom before the National Retail Furniture Association, Chicago, Ill., Jan. 8, 1947.

New York Security Dealers Association Elects Unterberg President

21st Annual Dinner Scheduled for March 7th

Clarence E. Unterberg of C. E. Unterberg & Co. was elected President of the New York Security Dealers Association; Philip L. Carret of Carret, Gammons & Co., was made Vice-President; George


C. E. Unterberg


Philip L. Carret


George Geyer


John J. O'Kane, Jr.


Harry R. Amott

Geyer of Geyer & Co., Vice-President; John J. O'Kane, Jr., of John J. O'Kane, Jr. & Co., Secretary, and Harry R. Amott of Amott, Baker & Co. Inc., Treasurer.

The following men were elected governors for three-year terms: Oliver J. Troster of Troster, Currie & Summers; Herbert D. Knox of H. D. Knox & Co.; David Morris of David Morris & Co., and Lee D. Sherman of L. D. Sherman & Co.

The twenty-first annual dinner of the New York Security Dealers Association is scheduled to take place on March 7 in the Grand Ballroom of the Waldorf-Astoria, according to George Geyer, of Geyer & Co., Inc., Chairman of the Dinner Committee.

Chester E. deWillers, of C. E. deWillers & Co., is in charge of the sale of tickets. On account of the widespread interest in the affair among out-of-town as well as local dealers, Wellington Hunter, of Hunter & Co., has been appointed to handle hotel reservations for guests from other cities.

Economic Progress in Germany

By BRIGADIER GENERAL WILLIAM H. DRAPER, JR.*
Director, Economic Division
Office of Military Government For Germany (U. S. Zone)

General Draper expects early unification of all four zones, ending present partition. Merger with British adding $130 million annually to U. S. occupation cost. Cites intention of returning German foreign trade to normal commercial and banking channels.

Last week the economic merger of the American and British Zones of Germany became effective in the most constructive development since the occupation began. The operating responsibility for the production and distribution of food and industrial goods generally for the combined area was turned over to German Administrative Agencies under American and British supervision and control. The German food and agriculture agency is set up in Stuttgart, under Dr. Deitrich, former food commissioner for the American Zone. Dr. Deitrich, before Hitler's time, had been both Minister of Agriculture and Minister of Finance for the German Reich. The German economic agency with responsibility for industry, price control, and for internal and external trade, has begun operating in Minden, in the British Zone. The success or failure of this agency in producing goods for use in Germany, and particularly, in producing and selling enough for export to pay for imported food and other essential imports in the next few years, will largely determine the success or failure of the merger itself. It is headed by Dr. Rudolf Muller, who was formerly Minister of Economics for Greater Hesse in the American Zone. Both these men are anti-Nazi in their views and have accepted their heavy responsibilities for the combined area in order to build a democratic Germany from the ruins left by Hitler.

Wm. H. Draper, Jr

Acute Shortage of Goods

The shortage of goods in Germany today is so acute that the entire production—and more—is needed for home consumption. But exports mean bread, and responsible Germans fully recognize that they must tighten their belts, make tremendous sacrifices themselves, and create substantial exports from their present small production.

One real advantage they will have. No part of German production will go to support an Army or a Navy. Both the Potsdam Agreement and a recent Allied Control Council Law completely prohibit the manufacture in Germany of arms, ammunition, or aircraft or armament of any kind. The peace treaty, when it comes, will undoubtedly require that this prohibition be made permanent.

The merger will join the greater American food resources, both indigenous and imported, with the greater coal, steel and industrial resources of the British Zone in an attempt to make the combined area self-supporting. The British and American Governments have become partners on a 50-50 basis in sharing the temporary deficit for the area. The Germans in both zones generally recognize that starvation is now being prevented by the food imports of the two occupying powers, but that this support is temporary and that only increased exports of their peaceful products can bring a permanent solution.

*Statement by General Draper at War Department Press Conference, Washington, Jan. 10, 1947.

The Drain on Our Financial Liabilities

Sufficient food is necessary, if Germany is to work herself out of present bankruptcy. We have been spending some $200,000,000 a year in the American Zone. The British Zone has a third greater population and less per capita food production. This means greater food imports for that zone. It also means that our half of the combined food import requirements will increase our financial liability by approximately $130,000,000 the first year. However, we will also share the greater export assets of the Ruhr—particularly, Ruhr coal—without which the American Zone could never become self-sufficient.

The immediate money needs for Germany are primarily for costs incurred for Displaced Persons. They were not covered in the regular appropriation, as it had been expected that the DP camps would be largely eliminated last year. German-grown food and food imported for German civilians has been used to feed the displaced persons and a large part of the food money requested for displaced persons will, therefore, be used to repay the German economy, and so maintain the present ration level. Gasoline and petroleum products are extremely short in Germany and the disease and unrest appropriations for this purpose have been nearly exhausted. It is hoped that Congress will recognize the vital need for the moderate food and gasoline appropriations requested and necessary to maintain the present minimum level of the German economy.

Foreign Trade Will Be Balanced

The merger looks forward to balancing the foreign trade of the combined zones within three years. Our initial contribution will be higher in order to sooner eliminate the need for American help. It is estimated that the British Zone will supply raw materials and semi-finished goods of some $200,000,000 a year that are absolutely vital to production in the American Zone. Without the coal, steel, basic chemicals and semi-finished products necessary for the export program in the American Zone, the American taxpayer would be faced indefinitely with paying for food imports or letting the Germans starve.

At present, exports from the Combined Zones are about $100,000,000 annually. The major part of these exports is Ruhr coal. The greater exports in the future will also come from the British Zone, in which we now have an equal share. If the combined export goals are realized, the 1947 deficit should be cut in half in 1948, and eliminated in 1949. So far, these figures are only plans and objectives to be realized. A tremendous effort will be required by the Germans themselves and by American and British Military Government in Germany. Re-

(Continued on page 288)

Mutual Funds

By JOHN DEAN

A Magnificent Study Has Come Out of the West

Trends in American Progress presented by the Investors Syndicate of Minneapolis was prepared to reveal economics in the United States. This has been done by a series of tables. Information useful to all concerned with finance has been collected and reprinted in one volume. The period covered coincides with the development of the Investors Syndicate.

Between 1894 and 1914 the world enjoyed almost universal tranquillity. Then came rapid communications, annihilating space. This was followed by two costly wars, and the introduction of atomic power. This last invention of man can evolve in one of two ways, our planet may be destroyed, or by means of atomic energy we may enter into realms of hitherto undreamed of comfort and good living. So as to find benefits in place of destruction, prosperity instead of waste, leaders should be saturated with knowledge and understanding. Thus by knowing, can they evaluate and guide. Historical information is invaluable for appraising the future and through the survey of the Investors Syndicate this has been facilitated.

Tables covering monetary history, the rise of financial institutions, bond offerings, failures, employment, wages, railway progress, changes in agriculture, metal output, housing and other items of consequence to those persons interested in directing and understanding the present and the future are provided. By comparisons correlations and evaluations of one with the other much can be learned.

Of special interest is the examination of the housing problem considered by the compilers of great importance. Largest regional gains were made in the South and Southwest between 1930 and 1945, while those same years show a decline in the Northern and Middle Atlantic states.

Full credit is given to organizations from whence material has been collected. Of course these might have been examined by others, but it is the wise choice, the careful selection and presentation of so much factual data in a single brochure that makes this an outstanding contribution.

All interested in finance must feel a deep debt of gratitude to those intelligent and diligent investigators who organized and executed this study. Investors will realize that any company whose staff can present so careful and fine a work must be of high order in any field of endeavor, and in their hands funds will be safe.

Most Types of Investments Are Above the 1937 Level

"Items," issued by the Broad Street Sales Corp., and covering both Broad Street Investing Corporation and National Investors Corporation, brings interesting information. Farm values per acre, the cost of a six-room house in St. Louis. Commodity Prices (USBLS) Preferred stocks (Standard & Poor's) are all above the 1937 price level. Only the Dow-Jones Industrial stock prices are lower than the 1937 quotations.

Basic economic factors as disclosed by looking at the amount of government debt, currency in circulation, demand deposits in Federal Reserve member banks, wholesale commodity prices, index of industrial production, income payments, cost of living, agricultural price index, etc. give the impression that common stocks are low. Still the investor is in doubt. One manner by which to dispel uncertainty is to call the buyers attention to the fact that all companies are not in an advantageous position at the same period. To buy at the correct time is the most important factor for successful investing. The buyer who can own the shares of virile and growing companies will find the need for timing lessened. Companies of promise have been chosen by the National Investors Group.

What We Must Do To Be Truly Prosperous

The year of 1947 brings hopes of prosperity says the New York "Letter" issued monthly by Hugh W. Long & Co. There were fewer strikes during December than at any time since the end of the war. We are again learning how to be successful, and that is by producing more and better goods for consumers and dividends for investors.

Strikes and shortages have retarded production, but now there is little likelihood of another wave of strikes. Government controls over building have been relaxed, supplies are more easily secured, moreover, increased railroad rates will put the rails in a more favorable position. If Congress can work out the management-labor difficulties higher stock prices may be expected.

Portfolio holdings of several series are listed. They make impressive reading for they are selected with wisdom and care. Industry preferences include automobile, building, machinery, oil, railroads, railroad equipments, steel.

Aviation Shares Are Subject To Wide Fluctuations

The Distributors Group sponsor of Group Securities prepared a folder on Aviation Shares. Aviation shares often are subject to wide fluctuations, such a period was 1946. Now these shares are selling at about 40% of their highs, yet some have had good earnings. The Fund expressed an opinion through its bulletin that a diversified managed investment in aviation shares will prove profitable.

The outstanding characteristic of this industry is a rapid expansion which has exceeded all expectations. Some companies growth is more rapid than that of others and leadership in the industry is constantly shifting. For this reason holdings must be diversified, thereby assuring the investor a portion of that company whose future prospects will be brightest.

It is estimated that gross revenues of air transport companies should, within the next few years, reach seven to eight times their prewar figures.

In Aviation Shares one finds a diversified list covering all branches of the industry.

The First Mutual Trust of the National Securities Series have added and subtracted to and from their list of holdings. Among the additions were Atchison, Topeka & Santa Fe Ry. $5 Non-Cum. Pfd. Chicago Pneumatic Tool Co., $3 Cum. Cv. Pref.; Gillette Safety Razor Co.

Investment Trusts Have Outperformed the Market!

Most impressive has been the record of those investment trusts whose holdings are largely in high grade bonds and preferred stocks, is the message from Arthur Wiesenberger & Co.

Conservatively balanced Funds achieved great success in 1946 in spite of a general decline in stock-market prices, their shares shrank only slightly. Mr. Wiesenberger thinks "the investment companies and every one concerned with them can be justifiably proud." A glance at the fall in market value of many of the individual issues compared with the general performance of the Funds suggests that few persons do as well as the market averages.

Redemption of shares in the last part of the year were less than in the first, this is proof that holders of such shares have not evidenced as much uneasiness as have those who invest on their own judgment.

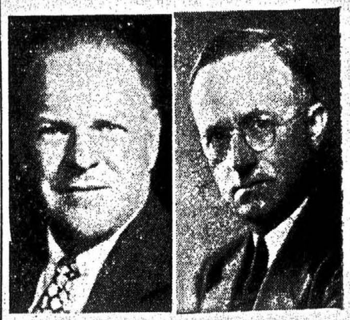
A Seven Year Chart Worth Seeing

"Selections" show a chart of the course of "Selected American Shares, Inc.," of Chicago, and the Dow-Jones averages for the past seven years. The Selected Investment Company's value has been consistently higher than that of the Dow-Jones averages.

[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.]

Hess, Blizzard & Co. Formed in Philadelphia

PHILADELPHIA, PA.—Formation of the new firm of Hess, Blizzard & Co., Incorporated, with offices at 123 S. Broad Street, Philadelphia, has been announced by Arleigh P. Hess, formerly a partner of Boenning & Co., and by the partners of Herbert H. Blizzard & Co.



Herbert H. Blizzard Arleigh P. Hess

The new firm has membership on the Philadelphia Stock Exchange and will conduct a complete trading and investment business.

Arleigh P. Hess is President and Herbert H. Blizzard Vice-President and Treasurer. Other officers are: Daniel J. Taylor and Ralph E. Hendee, Vice-Presidents; Elizabeth K. Scott, Secretary, and Henry B. Gurney, Jr., Assistant Secretary-Treasurer.

Associated with the new firm are: Arthur L. Batten, Thomas J. Joyce and William M. Hess.

Woodward V.-P. of Barret, Fitch & Co.

KANSAS CITY, MO.—Announcement has been made of the association of Richard L. Woodward with Barrett, Fitch & Co., Inc., 1004 Baltimore Avenue, as Vice-President in Charge of Sales.

Mr. Woodward became associated with Kauffman-Smith-Emert & Co. in St. Louis in 1916. From 1917 to 1919 he was in France with the Armed Forces, and after the war ended he was with the American Red Cross in Europe. He returned to Kauffman-Smith-Emert & Co. in 1919 and several years later opened a branch office in Kansas City for that firm, which later became the Boatmen's National Company, the Investment Division of the Boatmen's National Bank of St. Louis. He continued in the capacity of Assistant Secretary and Resident Manager of the Boatmen's National Company until 1933 when the passage of the Glass-Stegall Bill required National Banks to give up their investment affiliates. At that time he became associated with F. S. Moseley & Co. as manager of their Kansas City office and has remained in that capacity until the present time.

Wm. C. Roney & Co. to Admit New Partners

DETROIT, MICH.—Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges, will admit Richard W. Hurdley and Warren T. Olson to general partnership and Hildegard H. John to limited partnership on Jan. 23. As of the same date, W. A. P. John will retire from the firm.

Mr. Hurdley and Mr. Olson have been with the firm for some years. In the past, Mr. Olson conducted his own investment business in Detroit.

L. B. d'Avigdor Proprietor

Leslie B. d'Avigdor is now sole proprietor of d'Avigdor Co., 63 Wall Street, New York City.

Dire Economic Predictions Should Be Ignored, Says Winkler

In urging optimism, economist emphasizes worldwide demand for goods and services, improved management-labor relations, stimulation to world trade from International Fund and Bank, and abandonment of international isolationism.

CHICAGO, Jan. 15—"Americans are justified in viewing the economic future with considerable optimism, and in disregarding, or even ignoring the dire predictions by pseudo and would-be economists and professional forecasters about serious economic and financial setbacks," Dr. Max Winkler, Professor of Economics at City College of New York and partner in Bernard, Winkler & Co., said before a dinner meeting of the Illinois Securities Dealers Association here tonight.

Dr. Max Winkler

Dr. Winkler cited the following factors which should be taken into account by the public in appraising the domestic and international outlook:

1. The vast damage resulting from the war, directly and indirectly, has created an unprecedentedly marked demand for goods and services.
2. Funds available as well as obtainable through a number of financial institutions (such as Export-Import Bank, International Bank for Reconstruction and Development, International Monetary Fund), with which much needed goods and services may be acquired, are larger than ever before.
3. Due to the great and perhaps irreparable harm to the productive and manufacturing capacity of countries (notably Germany, Japan and Italy), the source of supply of goods and services is very much restricted, suggesting that, for the time being, and perhaps for a number of years to come, the United States, will have to supply the major portion of such goods and services.
4. The unanimous approval by the United Nations of a historic resolution calling for the outlawing of the atomic bomb and general reduction of armaments is highly constructive and will, if translated into action, permit the employment of vast sums, hitherto absorbed by war, for constructive and revenue producing projects, thereby affording the nations of the world relief from the burden of debt and taxation.
5. The desire of both management and labor to settle disputes without resorting to strikes and to maintain production on a high level, as well as their realization that disputes would have to be resolved through collective bargaining with a minimum of governmental interference, should be viewed optimistically.

Improving East-West Relations

6. Elimination of much of the friction between the so-called Western bloc, and the so-called Eastern bloc, augurs well for the signing of the peace treaties for the defeated Axis satellites and for the conclusion of a just and satisfactory peace with Germany, Austria, and, eventually, Japan.
7. Resumption of negotiations for reciprocal trade arrangements which were rendered ineffective as a result of Germany's dangerous commercial policies during the Thirties and which were completely invalidated by the war, should lead to a healthy expansion in foreign trade and the resultant favorable effect upon the country's economy.
8. The expectation that the International Bank will commence activities on a large scale is to be regarded with much favor, since the funds raised through the sale of bonds by the Bank, will aid in world reconstruction, which in turn should benefit both the recipient of the loan as well as the lender.
9. The expected successful functioning of the International Monetary Fund should offer a real opportunity for international monetary collaboration, thus putting an end to currency dislocation and paving the way for expansion of international commerce and its maintenance at a high level.
10. Abandonment of the old policy of isolation and realization that prosperity and economic well-being are no longer possible or even feasible, unless shared by the world as a whole.

"To be sure, there are still complex and grave problems which await to be solved," Dr. Winkler concluded. "However, they are not of such complexity or gravity as to be incapable of speedy and satisfactory solution, if the nations of the world are willing to show others the same *good will* which they expect from others towards themselves. Thus, there will really be *Gloria Deo in Excelsis et Pax in Terra Hominbus Bonae Voluntatis*—Glory to God in the Highest, and on Earth Peace Toward Men of Good Will."

Knickerbocker Shares Opens L. A. Branch; New V.-Ps. Join

Knickerbocker Shares, Inc. has opened a branch office at 458 South Spring Street, Los Angeles, with Walter F. Pettit as District Manager.

Morris Mather, Jr., formerly of Morris Mather & Co., Chicago, is now Vice-President of Knickerbocker Shares in charge of the office at 141 West Jackson Boulevard, Chicago.

Robert J. Sullivan of the firm's New York office, 20 Exchange Place, has also been elected a Vice-President.

Robt. Goodwin With Nat'l City Bank of N. Y.

Robert M. Goodwin, formerly associated with the Chicago and New York offices of Kaiser & Co., has joined the staff of the Municipal Bond Department of The National City Bank of New York.

Join Staff of Mitchell Hutchins Co. in CGO

(Special to The Financial Chronicle)

CHICAGO, ILL.—Arthur C. Harrison, George A. Robinson, Edward J. Kelly, and Arthur J. Weinert have become associated with Mitchell, Hutchins & Co., 231 South La Salle Street. All were formerly of Robinson & Co., in which Mr. Harrison and Mr. Robinson were partners.

Business Man's Bookshelf

Our National Debt After Great Wars—Committee on Public Debt Policy, 26 Liberty Street, New York City, paper — 25¢ (lower rates in quantity)

Eduard Otto Is With B. C. Christopher Co.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—Eduard F. Otto has become associated with B. C. Christopher & Co., Board of Trade Building. Mr. Otto was formerly representative in Kansas City for E. H. Rollins & Sons, Inc., with which he was associated for many years.

N. Y. Hanseatic Corp. Adds Three to Staff

The New York Hanseatic Corp., 120 Broadway, New York City, announces that George H. Armstrong and William P. Neacy, formerly with Harriman, Ripley & Co., and George Noakes, Jr., are now associated with the corporation's Government Bond Dept.

Richard Boonisar Opens Own Inv. Business

(Special to The Financial Chronicle)

BOSTON, MASS. — Richard Boonisar is engaging in the securities business from offices at 30 Federal Street. In the past he was with Brown Bros. Harriman & Co.

Edward D. Jones Adds To Staff

(Special to The Financial Chronicle)

ST. LOUIS, MO.—Edward D. Jones & Company, members of the New York and St. Louis Stock Exchanges, 300 North Fourth Street, have added Joseph L. Lederer to their staff.

With Harris, Upham & Co.

(Special to The Financial Chronicle)

KANSAS CITY, MO.—John F. Baumgartner has been added to the staff of Harris, Upham & Company, 912 Baltimore Avenue.

Williamson Pell Now Chairman of Board and Benjamin Strong President U. S. Trust Co.

United States Trust Company of New York announced yesterday that Williamson Pell, President since 1938, has been elected Chairman of the Board, and has been succeeded as President by Benjamin Strong, formerly First Vice-President.

Election of Mr. Pell and Mr. Strong took place at the annual organization meeting of the Board. The post of Chairman of the Board had been vacant since 1942.

Mr. Pell, a native of Goshen, N. Y., and graduate of Princeton University and New York Law School, joined the trust company

Williamson Pell

Benjamin Strong

as Assistant Secretary in 1912. He became Vice-President in 1920, a trustee in 1925 and served as First Vice-President from 1927 until he was elected President in 1938.

He is a director of the Atlantic Mutual Insurance Co., Commercial Union group of insurance companies, Great Northern Paper Company, Greenwich Savings Bank and Manhattan Fire & Marine Insurance Company. He also is a governor of the Society of the New York Hospital, a trustee of the James Foundation of New York, Inc., and a member of the Chamber of Commerce of the State of New York.

Mr. Strong, who attended Princeton until entering the U. S. Army to serve as First Lieutenant in the Motor Transport Corps. A.E.F., in 1917-19, becomes the seventh President of U. S. Trust since its incorporation April 12, 1853. A native of Englewood, N. J., he became associated with the company as Vice-President in 1933, after serving with the National Bank of Commerce in New York City, the banking house of J. Henry Schroder & Co. in London, International Acceptance Bank, Inc., and the Bank of the Manhattan Company. He was elected a trustee of U. S. Trust in 1937 and became First Vice-President in 1938.

The new U. S. Trust President is a director of the Atlantic Safe Deposit Company, Great Northern Paper Company, Home Life Insurance Company, Royal-Liverpool group of insurance companies, and Seaman's Bank for Savings. He also is a director of Board of National Missions of the Presbyterian Church, Metropolitan Opera Association, New York University, Presbyterian Hospital in the City of New York, and Union Theological Seminary, and a member of the Academy of Political Science and the Chamber of Commerce of the State of New York.

Jack Toppell Opens Own Investment Firm

Jack Toppell has formed Toppell & Co., with offices at 40 Exchange Place, New York City, to transact a general brokerage business in investment securities. Mr. Toppell was formerly with Luckhurst & Co., Inc.

Registration Revoked

The registration as broker and dealer of Charles Fletcher Baxter, doing business as Charles F. Baxter & Associates of Chicago, was revoked by the Securities and Exchange Commission for alleged failure to file financial statements for the years 1943 to 1945 inclusive. The revocation is effective January 20.

Sylvan Perry Spies, doing business as Sylvan Perry Co. of New York, was permitted to withdraw his registration as broker and dealer. He was also charged with failing to file financial statements for the years 1943 to 1945 inclusive. He was permitted to withdraw his registration because he had not been engaged as a broker and dealer for almost three years.

Dunai & Co. in Clifton

CLIFTON, N. J.—Dunai & Co. is engaging in the investment business from offices at 55 Nelson Street. Partners are John Dunai and Bernice Dunai. Richard Desmond and Raymond T. Levins, partners in the firm, which was formerly located in Passaic, withdrew from partnership.

Canadian Securities

By WILLIAM J. McKAY

The establishment of Canadian citizenship has set the seal on Canada's adult independence. It is somewhat anomalous therefore that the Dominion, in spite of its incomparable financial situation, is tackling timidly the question of the jettisoning of wartime financial controls.

Whereas Britain with its tremendous load of foreign indebtedness steadily and boldly pursues a policy of currency derestriction, Canada with an almost invulnerable international financial situation does nothing to improve the convertibility of the Canadian dollar in the hands of the foreign holder.

There is no question that despite the bad timing of the revaluation of the Canadian dollar, the level of parity with the U. S. dollar can be easily defended. The greatest obstacle in the path of a stable Canadian dollar was the inconvertibility of sterling. This position is in the course of correction following Britain's recent sterling defrosting policy.

Why therefore does the Dominion still hesitate to take the plunge and remove the currently unnecessary restrictions which hamper the Canadian exchange position? There is one situation which was previously largely ignored by the Canadian authorities and which has since loomed as a major problem. This is the holding in this country of Canadian internal bonds. At one stage when the Canadian foreign exchange position was less strong the movement of U. S. funds into Canada was viewed with pardonable complacency. It subsequently became a problem partly because the Dominion was accumulating an embarrassingly large balance of U. S. dollars, and partly because as fast as Canadian international indebtedness was reduced by redemptions and maturities it was built up again by the uncontrollable process of foreign purchases of Dominion bonds.

It was erroneously believed that the removal of the registration privilege and the revaluation of the dollar would solve the problem. Such has not proved to be the case. The former step in fact has removed a stabilizing element from the market for free Canadian funds. Trading in Canadian internal bonds has as a consequence been almost entirely divorced from the free rate which has weakened accordingly.

Thus it would appear that Canadian interests would have been better served at the time of the revaluation of the dollar by the simultaneous lifting of the restrictions affecting security and currency transactions. As it is this step should not be indefinitely postponed. Faith in Canadian credit in general and in the Canadian dollar in particular are undermined as a direct result of the lack of freedom of operation. If the holders of Canadian securities had complete liberty of action there would be less likelihood of embarrassing liquidation, and confidence in the new level of the Canadian dollar would be rapidly established. Much could be accomplished by the merging of the free and official markets for the Canadian dollar and absence of any impending important Canadian Government financing leaves the way clear for the Dominion financial authorities to concentrate on a major operation of adjustment of the international position in Dominion internal bonds. As we approach the deadline for the operation of the International Monetary Fund such a development appears all the more timely.

During the week the external market was stimulated by the news of the consideration by the New York State Legislature of the overdue measure to place Canadian securities on the Savings Banks' legal list. Scarcity of supply, however, militated against a turnover of any note. Attracted by the cheapness of the offerings a decided buying movement developed in Canadian internal bonds, which was sufficient to absorb fairly heavy liquidation. At their current level internal Dominions which offer a 3% return at a discount compare very favorably with comparable domestic investments.

Dean Witter to Admit McCormick As Partner

Frank T. McCormick, manager of the trading department of the New York office of Dean Witter & Co., 14 Wall Street, will be admitted to partnership in the firm on Feb. 1. Dean Witter & Co. are members of the New York and San Francisco Stock Exchanges and other leading national exchanges.

Urges Careful Approach To Freeing World Trade

The restoration of freer world trade on a high level must be approached "with care," Sydney G. Dobson, President of the Royal Bank of Canada, declared in Montreal on Jan. 9. "It is all very well to talk about the huge volume of business that would result if all tariff barriers were knocked down," Mr. Dobson told the bank's annual meeting, "but removal of tariffs on some goods would utterly ruin certain industries which are important to our economy. The matter of reducing tariffs must be gone at in a business-like way, keeping in mind the necessities of countries, particularly small-population countries, to maintain certain industries on an economic basis." The volume of Canada's "lifeblood" exports, he added, depends largely upon the state of international affairs, and "while the world picture has not been as bright as we hoped for, there are evidences of improvement."

James Muir, General Manager, reported to stockholders that the bank's assets on Nov. 30 had established the sixth consecutive annual record high, amounting to $2,131,974,316 for an increase of $124,427,337 from a year earlier. Deposits rose $74,346,877 to $1,963,103,951. Net profits for the year were $4,851,386 a gain of $903,244 over the preceding 12 months.

Earl Parrish Pres. of S. F. Stock Exchange

SAN FRANCISCO, CALIF.—The San Francisco Stock Exchange announced that at the annual meeting Earl T. Parrish of Earl T. Parrish & Co. was reelected as Chairman of the Board. Frank M. Dunn of Coons, Milton & Co. and Arthur N. Selby of Sutro & Co. were also reelected to the Board of Governors for a term of two years. V. C. Walston of Walston, Hoffman & Goodwin was elected to the Board for a one year term.

Elected to the nominating committee to serve for the current year were: Douglas G. Atkinson, Dean Witter & Co., Chairman; Howard J. Greene, Sutro & Co.; L. M. Kaiser, Kaiser & Co.; Emmett A. Larkin, Hooker & Fay; and George A. Heintz, F. B. Keyston Co.

W. C. Langley & Co. To Admit L. C. Ogg

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit Linwood C. Ogg to partnership on Jan. 23. Mr. Ogg is manager of the statistical department for the firm.

With Carl K. Ross & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Carl K. Ross & Co., Inc., Bank of Commerce Building, has added Robert L. Smith to their staff.

Progress, but No Illusion "All's Well" for Peace

(Continued from page 273)

to the world." So far as my little part in this symposium is concerned, this is too large an order to be filled in 30 minutes. Further, I must make it plain that I am not in a position to "reply for the United States" because the Constitution confides that prerogative exclusively to the President. The Senate merely "advises and consents." Sometimes it doesn't even do that.

Fortunately, the Secretary of State is here to speak for the President. But, unfortunately, he is shortly leaving the public service by resignation. I say this with deep regret. Secretary Byrnes has been an able, efficient, courageous Secretary of State in the finest American tradition. He has relentlessly defended American ideals in crises where they required defense. He has made a great contribution to the welfare of his country and to the peace of the world. I salute him with affection and profound respect; and I hail him as a very great American!

General Marshall, who succeeds him, brings to his task a stout heart, a clear head and a rich experience. He has always enjoyed the total confidence of Congress and of all his military and civilian colleagues, at home and abroad. I wish him well in his great responsibility.

The Bi-partisan Policy

As a junior partner, I have worked with Secretary Byrnes on what is called a "bi-partisan foreign policy" in the United Nations and in planning European peace. It would be more significant to say we have sought a united American foreign policy so that, despite some inevitable dissidence at home, America could enjoy abroad the enhanced authority of a substantially united front. I dare to believe that, despite some distressing domestic interludes, it has borne rich fruits.

In any event, partisan politics, for most of us, stopped at the water's edge. I hope they stay "stopped"—for the sake of America—regardless of what party is in power. This does not mean that we cannot have earnest, honest, even vehement domestic differences of opinion on foreign policy. It is no curb on free opinion or free speech.

But it does mean that they should not root themselves in partisanship. We should ever strive to hammer out a permanent American foreign policy, in basic essentials, which serves all America and deserves the approval of all American-minded parties at all times.

But let me get back to that "reply to the world." I assume "the world" chiefly wants to know whether America will persist in its attitudes toward collective peace and security. I cannot answer for others. I will answer for myself.

Backs International Defense Against Aggression

I believe the United States, in enlightened self-interest, will do everything within its power to sustain organized international defense against aggression; to promote democracy and human rights and fundamental freedoms; and, through international cooperation, to seek peace with justice in a free world of free men.

We plot no conquests. We shall neither condone nor appease the conquests of others. We ask nothing for ourselves except reciprocal fair-play. The extent to which it develops will determine our final course. We are not interested in unity at any price. We shall aspire to standards which will rally others to match our zeals. Our "reply to the world" is a challenge to match us in good works.

Mr. Chairman, these American attitudes will persist because they stem from reason and reality, and we are a practical people. We should remind ourselves, as well as our neighbors, from time to time, of certain facts in this connection lest we suffer in steadfastness what we lose in recollection.

Prior to December, 1941, we were conscientiously divided, along lines of deep conviction, regarding our proper role in a world-at-war just as we were similiarly divided 20 years before regarding our proper role in a world-at-peace.

Pearl Harbor ended that debate. It brought a united country to far flung battle lines where we swiftly mobilized the greatest fighting resources of all time. It did more. It released an evolution which drove most of us to the irresistible conclusion that world peace is indivisible.

We learned that the oceans are no longer moats around our ramparts. We learned that mass destruction is a progressive science which defies both time and space and reduces human flesh and blood to cruel impotence.

Then we contributed the crowning proof ourselves. In the climax of this tragedy we ourselves devised the atom bomb—an appalling tribute to our illimitable genius—an equally appalling prophecy of civilization's suicide unless world war three is stopped before it starts. This produced the inevitable conviction that the jungle code of war must be repealed for keeps.

U. S. Participation in UN

Before the horrors of the conflict had even reached their maximum, we brought our major allies together at Dumbarton Oaks to chart the most essential victory of all—a victory over war itself. Oh yes, we had said these same things once before and they had turned to ashes on our lips. But there is no comparison in the provocation which was our immediate spur.

From Dumbarton Oaks we went to San Francisco and at the symbolic Golden Gate, the charter of the United Nations was unanimously approved. From San Francisco we went to Washington and the Senate spectacularly ratified the charter with but two dissenting votes. We accepted the jurisdiction of the International Court of Justice.

From Washington we went to London and organized the first "town meeting of the world." From London we came back to New York where, in response to Congressional invitation, the United Nations launched its gigantic adventure on a site in the United States, which thus gives us the permanent peace capital of the world.

This record cannot be misread at home or abroad. We have embraced the United Nations as the heart and core of united, unpartisan American foreign policy. We shall be faithful to the letter and the spirit of these obligations. In my view, this will be true no matter what administration sits in Washington; and it will remain true to whatever extent the United Nations themselves are faithful to our common pledge. That, in general, Mr. Chairman, would be my over-all "reply to the world."

UN Not a Perfect Instrument

But I make the "reply" with no illusions that now "all's well." The United Nations is neither an automatic nor a perfect instrument. Like any other human institution, it will make mistakes. It must live and learn. It must grow from strength to strength. It must earn the ever-expanding confidence and fidelity of people everywhere. It must deserve to survive.

Meanwhile it is definitely beset by hazards. For example, the necessity for unanimity among the five great powers is both strength and weakness to its arm. Strength—because these great powers when united are invincible. Weakness—because the excessive use of the veto, particularly in respect to the pacific settlement of disputes, can reduce the whole system to a mockery.

It is much too early to talk about major surgery on the charter itself. But I hope all the great powers will voluntarily join in a new procedural interpretation of the charter to exempt all phases of pacific settlements from what, in such instances, makes of the veto a stultifying checkmate. I pose this as a test of international good faith.

There is another hazard. The organization is beset by fiscal dangers. In the enthusiastic eagerness with which it expands its nobly mediated efforts through specialized agencies, each with its own uncoordinated autonomy, it threatens accumulating annual assessments which a majority of its member nations soon may be unable to fairly share.

In such event, either the burden is concentrated on a few large states or the smaller states drop out. In the former case, the sovereign equality of member states will disappear. In the latter case, the United Nations will become a "rich man's club" and its greatest genius—universality of membership—will disappear. Stern fiscal control is indispensable—not penury but prudence.

What UN Has Accomplished

But, Mr. Chairman, we must not be impatient. It took five years to take the world apart. It would not be surprising if it took at least that long to put it together again. The remarkable thing is that the United Nations has done so well so soon. Its Security Council has already peacefully tempered many critical situations which, in the absence of its mediation, invited serious implications. The recent dispatch of a commission of inquiry to the Greek border is the latest striking case in point.

Meanwhile, its General Assembly has already initiated powerful movements for the common good—incomparably the greatest of which is an approach to mutual disarmament.

These things can be the beginnings of the greatest benediction of all time. They are worth every effort which men of good-will can muster.

And let's always remember this: the more imponderable the world's frictions may become, the greater the need to persevere in strengthening this one and only available agent of organized emancipation.

And this: If, one day, some aggressor leaves the United Nations, in order to be free of its restraints, the rest of the world has ready-made-at-hand the well-geared machinery for another, and immediate, grand alliance swiftly and overwhelmingly to confront the offender. Would-be international assassins, if ever such there be, will not lightly chance such condign disaster.

Prepared to Disarm

I spoke of disarmament. No other peace factor is of such vitality; and none could better typify America's attitude toward peace and the world. We are prepared to disarm (1) to whatever extent other powers are dependably ready to make comparable, permanent and effective renunciations; or (2) in whatever degree the United Nations and its cooperative military resources prove hereafter to offer a reliable substitute. It is our dearest dream.

But we shall not "dream" ourselves into a nightmare. We shall not disarm alone. We shall not trust to the persuasion of our example. We tried that once before. We shall take no "sweetness and light" for granted in a world where there is still too much "iron curtain." We shall not trust alone to fickle words. Too many "words" at Yalta and at Potsdam have been distorted out of all pretense of integrity. We shall not ignore reality.

We do not intend to be at anybody's mercy; nor do we intend to emasculate our authority with those who may still think in terms of force. But we will joyfully match the utmost limits of mutual disarmament to which other titans will dependably agree, if there be disciplines which guarantee against bad faith; and we will speed the day when such a boon shall deal war its deadliest blow. I repeat, however, that this cannot happen either in ambush or on a one-way street.

Our American proposals regarding atomic bombs illustrate my point. With an investment of $3,000,000,000 in this supreme destroyer of all time, and with a monopoly upon its sinister secret for some years to come, we offer not only to abandon our dominant advantage, but also to join in outlawing its destructive use by anybody, any time, anywhere on earth.

And what is our price? Just this—an effective system of continuous inspection and control which makes certain that no international brigand shall hereafter break faith with us and with the world! The price is simply protection against treachery!

But it is a fixed price, Mr. Chairman, and the price must be paid. We ask nothing for ourselves. We ask everything for peace. I submit, sir, that never has there been a comparable example of national good-will, nor one so thrillingly dramatizing the purpose of a great people to live and let live in a peaceful earth, if we are allowed to do so.

Economic Future of Peace

Now, Mr. Chairman, I briefly touch upon another phase. The economic factors of the peace are of vital interest to the world—and us. Peace and economics are inseparably kin.

Unfortunately, this area of action is not so clear because the premises themselves are mixed in a clash of economic ideologies. But we shall not draw back from our essential responsibilities. For example, I am sure Congress will make a liberal relief appropriation—to be administered under American auspices in consultation with the United Nations—for the stricken postwar areas which are still war casualties, even though we never again contribute 72% of an international fund, as in UNRRA, which can be controlled and even exploited by others.

This is said without prejudice to the great and humane achievements of UNRRA despite is handicaps.

Rehabilitation Credits Unavoidable

Again, reasonable rehabilitation credits are unavoidable if democratic stabilities are to be restored before it is too late. By way of another example, I believe we shall continue the device of reciprocal trade agreements, in one form or another, to release and expand mutual trade—an even greater need for us than for any other country because our vastly expanded national economy and employment require it.

Whether this can continue on its present multilateral basis will depend somewhat upon the type of competition we confront from foreign state monopolies and from a growing habit abroad of making bilateral agreements for political as well as economic purposes. These habits could force us into defensive tactics which we would not voluntarily embrace. We shall fit our procedures to the necessities which are forced upon us.

Will Protect System of Free Enterprise

Certainly we intend to keep our own American industry and agriculture in sound, domestic health, and to protect our system of free enterprise. Anything less would be a calamity not only for us but for the Western world. But sane, healthy, mutual trade expansion is best for all concerned.

Mr. Chairman, my time runs out, though I have touched only the outer rim of our mutual problems with the world. I conclude with a few swift overtones.

We have finished five treaties with ex-enemy European states. They passed in review before a peace conference of 21 nations in Paris. We are entitled to say that this broad consultation of all our battle allies was an achievement primarily due to American insistence. Here, again, is an unmistakable cue to our international disposition ever to recognize the rights of little states as well as big.

A Friendly but Firm Policy Toward Russia

Here also is a cue to what seems to be our improved relations with the Soviet Union—as a result, I believe, of our present rugged policy of firm but friendly candor which I hope has permanently established the American doctrine that there are deadlines in our ideals from which we shall never again retreat. This is not truculence—it is the power of brave and naked truth.

When we left Paris in September the Council of Foreign Ministers was deadlocked on more than 40 issues. When we left New York in December they were all amicably resolved. These five treaties are far from satisfactory in many aspects. But they bear no remote resemblance to the greater dissatisfactions which we have prevented; and they are a great advance toward reconstruction in a peaceful world.

Now we turn, after many weary months of urging, to peace plans for Austria and Germany. At long last we shall come to grips with the heart of the European problem. All occupying powers should recognize the independence of Austria and withdraw their troops.

German Situation

In Germany, retarded by Russian and French refusals to fulfill the Potsdam requirement that the four zones of German occupation should operate as an economic unit, the German situation has suffered such economic deterioration as to threaten chaos and disaster. We have partially met this worsening crisis by unifying the American and British zones—with an invitation to the French and Russians to join us at their option. This is a hopeful pattern.

Meanwhile the business of renewed, decentralized political autonomy—looking toward federated states which shall be the masters and not the servants of a new Berlin—makes encouraging progress in the American zone.

But the pressing need is a plan for total peace—a plan which omits no possible precautions against recurrent Hitlerism, yet which offers some reward other than eternal degradation to new German states when they faithfully strive toward democratic self-redemption. The important thing for the world to know is that we intend to remain in occupation until this job is done. It is part of the war, if we are to preserve our victory.

A Pan-American Solidarity

Meanwhile we face the intimate necessity of refreshing our indispensable Pan-American solidarity. This comes close to home. It is historically basic in American foreign policy; and nothing has happened to lessen the importance of these good neighborly contacts. Quite the contrary. At San Francisco 20 Latin-American republics were unwilling to proceed with the United Nations Charter until the validity of our historic regional arrangements was officially tied into the United Nations plan. This was specifically done in Chapter VIII of the Charter. Thereupon the then Secretary of State, Mr. Stettinius, as part of the agreed plan, promised—

". . . To invite the other American republics to undertake in the near future the negotiation of a treaty which, as provided for in the Act of Chapultepec itself, would be consistent with the charter of world organization and would support and strengthen that organization, while at the same time advancing the development of the historic system of inter-American cooperation."

That was on May 15, 1945. This is Jan. 11, 1947. "In the near future" has not yet arrived. The Secretary said of the proposed conference that "it would be another important step in carrying forward the good neighbor policy." If he was right—and I think he was—this long failure to hold the conference has had the opposite effect. I am well aware of the reasons for delay. I entirely sympathize with the anxiety to purge the Americas of their last vestige of Nazism.

But I think that, under half a dozen solemn Pan American treaties to which we are a party, this is a multilateral decision which should always be made by all of us jointly and not influenced or dictated by us alone. In some aspects it can be said that we have been proceeding jointly. But I think it is past time to hold the Pan American conference which we promised in 1945, and there to formally renew the joint New World authority which is the genius of our New World unity.

There is too much evidence that we are drifting apart—and that a communistic upsurge is moving in. We face no greater need than to restore the warmth of New World unity which reached an all-time high at San Francisco.

The Far East

I devote a few parting sentences to the Far East, where General MacArthur is doing so magnificent a job in Tokyo that our daily headlines scarcely remind us that we are successfully liquidating the greatest single postwar task which fell to our primary responsibility; and where the young Philippine Republic arises as a monument not only to its own vigorous self-development but also to our steadfast anti-imperialistic American liberalism which defies successful libel either at home or abroad. But it is particularly China to which I dedicate this paragraph.

Here lies a vast and friendly republic, rich in wisdom, equally rich in its democratic promise for tomorrow, and historically fixed in the orbit of our good will. Since 1911, when Dr. Sun Yat-sen gave China her new vision, she has been struggling, against bitter odds, toward the light of a new day. While recognizing the Nationalist Government of Chiang Kai-shek, we have—through a year's mission headed by our distinguished General Marshall—been impartially urging that it produce unity with a rival armed party, the Chinese Communists.

Under the determined leadership of Chiang Kai-shek, a National Assembly has just produced a new Constitution and the government is being reorganized with a coalition of non-Communist parties. We can hope that this Nanking charter, with its first great national election promised before next Christmas, will weld together a strong and competent China.

It is my own view that our own Far Eastern policy might well now shift its emphasis. While still recommending unity, it might well encourage those who have so heroically set their feet upon this road, and discourage those who make the road precarious. Our marines, having finished their task, are coming home. But there will never be a minute when China's destiny is not of acute concern to the United States and to a healthy world.

Hope in United Nations

My fellow citizens, we face a new year in world affairs with many gnawing problems still unsolved all around this turbulent globe. I have touched only a few which have special significance in respect to the topic of the evening. Peace is more difficult to win than was the war.

On the other hand, we have a right to cheer ourselves with some very real encouragements. The greatest of these—and I end as I began—is the luminous fact that 55 nations are committed by solemn covenants to help each other keep the peace, to substitute law for force, and to strive toward the uplift and defense of human rights and justice and fundamental freedoms.

The world has far to go before this pledge is a reliable reality. But the United Nations has raised this standard to which men of good will in every clime and under every flag can repair; and it has already sped us on this God-blessed way. America will do her full part.

Jacobs & Low Admit

Jacobs & Low, 61 Broadway, New York City, members of the New York Stock Exchange, on February 1 will admit Roland S. Feigus and Frank Feinberg to partnership. In the past Mr. Feigus was a partner in Prentice & Brady.

Adcock With Herrick Waddell

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—George A. Adcock is now with Herrick, Waddell & Company, Inc., 1012 Baltimore Avenue.

With McCourtney, Breckenridge

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—John Edward Hayes, Jr. has become affiliated with McCourtney, Breckenridge & Company, Boatmen's Bank Building.

With Slayton & Company

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Bert. J. Queen has been added to the staff of Slayton & Co., Inc., 408 Olive Street.

Two With Bond & Goodwin

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—George A. Peirce, Jr. and Gale R. Stevens have become affiliated with Bond & Goodwin, Inc., 30 Federal Street.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Although the usual January investment demand along with the return flow of currency from circulation had a beneficial effect on government securities, a cautious attitude has developed toward the market, as dealers, traders and investors took to the sidelines. . . . The longer eligibles, which have had the largest advance recently, gave the most ground, although the intermediates, as well as the restricted obligations, likewise moved away from recent tops. . . . Insurance companies and savings banks still seem to be out of the long-term market, although funds appear to be going into certificates and short-term eligibles. . . . Despite present uncertainties both investors and traders, alike are watching trends closely, because funds seeking investment are still substantial, which means that advantage will no doubt be taken of price weakness to acquire selected issues. . . .

WELL BOUGHT

The longer maturities of the eligible taxable 2s were well bought as were the 2¼s of 1956/59 and the 2½s due Sept. 15, 1967/72. . . . The shift in holdings by the commercial banks continues, as the smaller out-of-town institutions sell the shorts to lengthen maturities, which will aid them in maintaining income. . . . This pattern of moving into the more distant maturities of governments by the smaller deposit banks, is not quite as bad as it may sound. . . .

The bulk of the purchases are being made in the 2s, 2¼s or 2½s due 1952/54, which means less than a six-year maturity. . . . The 2¼s of 1956/59, which has been one of the favored issues, along with the 2½s of 1956/58, still keeps the maturity range under 10 years. . . .

Even the longest eligible taxable issue, or the last maturities of the partially exempts do not result in the acquisition of securities that mature in more than 21 years. . . .

SUPPLY LIMITED

The supply of long-term bonds available to the smaller commercial banks, which are more largely savings institutions, is limited. . . . This has no doubt been responsible for some of these institutions again going into high-grade corporate obligations, with maturities as far out as 1985, in order to get income to meet rising expenses. . . . Trust funds and certain of the large banks have also been buyers of corporate issues. . . .

Not so long ago, when the banks moved into the long-term corporate bond market, prices went ahead, to be sure, but the decline that followed was very sharp, because of the unprotected nature of this market and many institutions ended up with rather sizable decreases from cost prices. . . .

TRUMAN AND INTEREST RATES

President Truman's budget estimates caused the expected reactions, and despite reports of impending cuts in expenditures, there will still be astronomical figures to deal with. . . . Debt service will continue to be heavy, even after further debt retirement in the coming year that may amount to between $3,000,000,000 and $8,000,000,000 depending upon business conditions. . . . The President stated that low interest rates and undue fluctuations in the bond market were the concern of the government. . . .

This would seem to indicate that the 2½% long-term rate can and will be maintained, with the monetary authorities ready to intervene to keep the government bond market from going too far in either direction. . . .

While low interest rates are to be expected irrespective of the political party in power, the fluctuations in rates within the limits of low interest rates will depend upon business conditions, commodity prices, bank loans, demand and supply of business credit and the risk involved in these loans. . . .

BANK PORTFOLIOS

Although government security holdings of the commercial banks as a whole declined sharply in 1946, because of the debt redemption program of the Treasury, positions in government bonds, of the reporting member banks in 101 cities, at the close of last year, were above those shown at the end of 1945. . . .

The largest increase was in the Chicago district, which showed holdings of government bonds up by $508,000,000 compared with the year before. . . . The Cleveland area was next with bond positions $193,000,000 larger at the close of 1946, than that of 1945. . . . Minor increases were reported for the Boston and Richmond districts. . . . The largest decline took place in the New York district followed by Philadelphia, San Francisco, St. Louis and Atlanta. . . .

ISSUE IN DEMAND

Purchases of government bonds by the commercial banks, for the period ended Sept. 30, showed that the newly eligible 2¼% due 1956/59 was by far the most sought after issue. . . . This security became eligible for purchase by the deposit institutions on Sept. 15, and the latest Treasury figures indicate that about $253,000,000 of this bond was bought by the commercial banks between the first day of its eligibility and the end of the month. . . .

The largest purchase of the 2¼s was made by the country banks, which added more than $137.000,000 to their portfolios, Reserve City Banks, New York City Member Banks, Non-Member Banks and Chicago Banks following in that order. . . .

The principal seller was other investors, including dealers, followed closely by savings banks, then insurance companies and government agencies and Federal. . . . Purchases of this bond between Sept. 15 and 30, were at prices that still show the buying institutions about one-half point profit, when compared with present quotations. . . . Commercial Bank holdings of the 2¼s due 1956/59 are small compared with the amount outstanding which still gives them plenty of leeway to add to their positions in this issue. . . .

SECOND BEST

The next most popular bond with the deposit institutions was the 2% due Dec. 15, 1952/54, which showed the largest acquisitions this time being made by the New York City member banks. . . . The country banks, and non-member banks, were also buyers, with the Reserve City and Chicago Banks sellers. . . .

The 2½s due Sept. 15, 1967/72 came in for good buying as the country banks made the largest commitments in this security, followed by the New York City member banks, Reserve City institutions and non-member banks. . . . Chicago banks sold a few of these bonds. . . .

The 2% due Sept. 15, 1951/53 were taken on in fair amounts with the Chicago banks the largest buyers, followed by the Reserve City banks and non-member institutions. . . New York City member banks and the country banks were sellers of this issue. . . . Purchases of the 2½% due 1956/58 in contrast to the 2¼% due 1956/59 were very small. . . . Buyers were the New York City member banks and non-member institutions, with the heaviest selling being done by the Reserve City and country banks. . . . The 2% due Sept. 15, 1950/52 were sold by all of the banks, except those in Chicago, and these institutions took on a fair amount of this security. . . .

PARTIAL EXEMPTS

Among the partially exempt issues, the largest commitments were again made in the 2⅞% due March 15, 1955/60, with the Reserve City and New York City member banks making the principal purchases, followed by the country banks and non-member institutions. . . . The 2¾% due Sept. 15, 1956/59 were next in line, with the New York City and Reserve City banks the important buyers. . . . The longest partially exempt, the 2¾% due Dec. 15, 1960/65, was bought mainly by the Chicago banks, with small purchases by the country banks and Reserve City institutions. . . . New York City banks sold a minor amount of this issue. . . .

The 2¾% due June 15, 1958/63 were taken on by Reserve City banks, country banks, Chicago banks, and non-member institutions. . . . New York City institutions showed no change in holdings. . . . Most of the shorter maturities of the partially exempt issues were sold by the commercial banks in small amounts.

Economic Progress in Germany

(Continued from page 283)

maining restrictions on peaceful trade must be lifted and German commerce, shorn of warlike objectives, be allowed to resume its normal place in the world's trade.

Germany's gold, her foreign exchange and her external assets generally have been seized for reparations and restitution. The planned export program will require large imports of raw materials which must be financed first through government channels and later by private enterprise. We have already shipped 50,000 tons of cotton into the American Zone, which is being spun and woven in German mills. Sixty per cent of the finished textiles will be exported to help meet the world shortage of cotton goods and which will pay for the 50,000 tons of raw cotton. The Reconstruction Finance Corporation has arranged commodity advances for a number of export programs such as chinaware, chemicals and light machinery. Discussions are now proceeding with the Reconstruction Finance Corporation and with the Export-Import Bank to make these commodity advances available for both zones. The British, under the Bizonal Agreement, will provide an equivalent amount of commodity advances which will also be available for the combined area.

Return of German Trade to Normal Channels

The policy of our Military Government in Germany, fully supported by the War and State Department, is to return German foreign trade as quickly as possible to normal commercial and banking channels. The initiative of individual buyers and sellers is needed to expand the small exports now channelled through Military Government. German firms have already begun to correspond with their customers abroad, now that non-transactional commercial mail is permitted. Military Government must continue to control Germany's foreign exchange for a long time, but the present government-to-government dealings in goods should taper off as soon as possible and the normal buying and selling of exporters and importers take its place. In this way Germany, under necessary continuing supervision, will gradually become a peaceful workshop, producing goods for her own and the world's benefit.

Germany is experiencing her second postwar winter. Last year the weather was mild; this past month has seen almost steady zero weather which has naturally brought hardship, transportation difficulties, and a serious drop in industrial production. Little wood or coal is available for German house-heating. Ruhr coal production increased 10% or 12% in the past three months, which is a very hopeful sign. However, the bitter cold recently has prevented adequate distribution and coal stock piles are critically short. The food situation looks better. In November, food stocks in the British Zone were critically short but the situation was met by food loans we were able to make from the American Zone. Food shipments from this country in December improved considerably and present prospects are quite encouraging. The American people should realize that food from this country is saving millions of lives abroad. By July 1 of this year, it is hoped that the present 1550 level in both the American and British Zones of Germany can be raised to 1800 calories for the normal consumer, which for the first time, would reasonably meet minimum nutritional standards and prevent the slow physical deterioration of the past.

Despite the many problems, progress is gradually being made in Germany toward a tolerable and peaceful solution. Now that the American and British zones are being joined, it is hoped that before too long a similar agreement for economic unity may be reached with the other two zones, and the present partition of Germany ended.

Gerstley, Sunstein & Co. Will Admit M. Grossman

PHILADELPHIA, PA.—Gerstley, Sunstein & Co., 213 South Broad Street, members of the New York and Philadelphia Stock Exchanges, will admit Morris Grossman to partnership in the firm on January 23, on which date he will acquire the New York Stock Exchange membership of William Gerstley II.

Grobert in Trading Dept. Of Pulis, Dowling

Pulis, Dowling & Co., 25 Broad Street, New York City, anonunce that Carl W. Grobert is now associated with the firm in its trading department. Mr. Grobert was formerly with Frank C. Moore & Co.

An Affirmative Program

(Continued from first page)

The Great Power of the President

The House of Representatives has now a Republican majority of 57, the Senate a Republican majority of 6. The responsibility for a legislative program, therefore, falls primarily on Congress, although, of course, under the Constituation, through his veto power, the President is an essential part of the legislative process. Nor should his other powers be depreciated. He has the Constitutional power to execute the laws, which gives him a wide freedom of choice in determining how any legislative grant of power shall be worked out. We cannot tell him in detail how any domestic program shall be administered.

In the field of foreign policy he is almost supreme because of his Constitutional powers and the wide delegation of power given to him by Congress in the legislation setting up the United Nations, the International Fund and Bank, many other international institutions and the Reciprocal Trade Agreement Act. Almost the only restraint on the President's power in the foreign field lies in the control of the purse if he asks for money, and through public opinion, which follows to some extent the views expressed on the Congressional stage.

Nevertheless, in the domestic field the responsibility falls on the Republican Party, at least to initiate a program of legislative action.

President's Message Welcomed

I believe that all Republicans welcomed the tone of the President's message on the State of the Union. It expresses his desire to work with Congress and the Republican majority in constructive action on many issues. His proposals are sufficiently general so that in many fields ample opportunity is left for substantial agreement. The violent dissension in the last Congress arose from the President's insistence on a number of measures in the platform of the Political Action Committee, such as the original Full Employment Bill, the federalization of all unemployment compensation, extension of the powers of the OPA without curtailment, veto of the Case Bill and other measures pressed upon him by his left-wing supporters. His present message raises only one or two of these issues, so that I really believe there will be more harmony between the President this Republican Congress than there was last year. In his termination of the OPA, in his reduction of housing control and in his ending of the laws depending on the termination of hostilities, the President indicated a complete change in his general philosophy from that which prevailed last year. I welcome the President's actions, although I would like to call attention to the fact that the change was brought about by the battle which the Republicans made last year and the campaign issues made by them and approved by the people.

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 Republican Senators. Many of them are new men who have not had time to study the problems before Congress in detail. There are, of course, many differences of opinion among Republicans, and there must be substantial agreement on any official party program. I can only state in a general way, my own views of what a program should be on the more important issues.

The main issue of the election was the restoration of freedom, both to individuals and to business, and the elimination or reduction of the constantly increasing interference from autocratic Washington bureaus and autocratic labor leaders. This was the issue made by the Republicans, 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 the same principles of freedom which have made this country the greatest country in the world.

Remaining Decontrol the First Task

The first task, therefore, is the reduction and ending of controls, partially accomplished by the President's own actions. There are, however, a number of laws dependent on the various declarations of emergency, on the duration of the war, and on specific dates, which President Truman did not terminate. These should be definitely repealed, preserving only those which should form a part of a more permanent program such as the maintenance of American troops in Germany and Japan. An immediate study should also be made of the various prewar New Deal laws in order to cut down the broad discretion given to so many administrative boards, and confine their action to the real purpose of the various acts. All of these statutes were drafted by smart lawyers in the broadest possible terms to give that unlimited administrative power which was the very essence of New Deal policy. When Congress wishes to continue these programs, the scope of each program should be definitely delimited by law.

A Labor Program

The second program relates to labor. The people and workingmen themselves have resented the interference to their daily lives and to the economic reconstruction of the country brought about by the exercise of arbitrary power by labor union leaders almost as much as they have resented the interference by government. The Republican Party has frequently declared its belief that the solution of employer-employee relationship rests on a sound system of collective bargaining. If this means anything, it means that the principle of the Wagner Act should be retained. In the early part of this century, there was little collective bargaining because the employer would not agree to it. He had a strong advantage in dealing as one man with thousands of separate employees. The advantage was all on his side. To redress this balance, Congress passed a number of laws, notably the Clayton Act, the Norris-LaGuardia Act and the Wagner Act. The theory of the Wagner Act was that the employees of any employer should have the right to act as one, and that the employer should not interfere with their organization for that purpose. The laws passed by Congress, however, were supplemented by hundreds of administrative rulings, all favorable to labor, and by court decisions which, in my opinion, carried the law far beyond the intent of Congress. The result has thrown the balance of power far over on the labor union side. Labor leaders have been given power to insist on unreasonable settlements and since that power exists, arbitrary men have naturally taken advantage of it. Other leaders have been forced to follow the radicals or lose their jobs. In my opinion, we should try to modify at least the rulings and opinions, until employer and employee in each operating unit deal with each other on a substantially equal basis.

If we are going to rely on collective bargaining as a solution of our problems, I do not see how we can set up any general plan of labor courts and compulsory arbitration. As long as such a system is part of the labor laws it discourages collective bargaining because one party or the other always feels that he can get a better deal by failing to agree and letting the arbitration board fix the wages. Furthermore, if compulsory arbitration covers the fundamental questions of wages and hours, it leads to the fixing of wages by the government. Inevitably, the arbitration boards or labor courts gradually adopt a wage scale to prevail throughout all industry. If government fixes wages, it must inevtibaly fix prices, and we soon have a completely regimented economy.

I admit that this latter argument does not apply so strongly to public utilities in which rates are already fixed, but even there I think we should get away from government dictation of wage rate schedules. There cannot be the same objection to arbitration if the dispute relates to questions arising in the interpretation of collective bargaining agreements already made.

Our program would set up a strong, independent mediation board, and strikes should be forbidden for 60 days while an impartial government, with all its authority, urges a solution by conciliation.

We should make unions as responsible as employers. They should be required to engage in collective bargaining as the employer is now required, and they should be held responsible in Federal court for the violation of their collective bargaining contracts. If they wish to be certified as collective bargaining agents, they should register with the Secretary of Labor and furnish annual financial reports to their members.

I thoroughly agree with the President that jurisdictional strikes and secondary boycotts ought to be outlawed, but at the present time I see no jusification for his suggestion that the ordinary type of secondary boycott attacking innocent third parties for any reason should be legalized.

All of these legislative proposals as well as the removal of foremen from the definition of employees under the Wagner Act are contained in the bill introduced by Senator Ball, Senator Smith and myself. They were in the Case Bill last year, and it should not be necessary to hold long hearings.

Proposals Which Have Been Submitted

Whether these measures will restore equality of bargaining is perhaps doubtful and we have received countless suggestions for all kinds of additional restrictions on the power of union leaders. The proposals which deserve consideration—with which I do not necessarily agree—may be grouped in five classes:

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

None of these proposals has received as yet sufficient study, but some of them could well be included in the hearings to be held. If it turns out that one or more are capable of prompt legislative decision, they could be added to the preliminary bill and a single bill reported to the Senate by March 1.

There are plenty of radical proposals apparently designed to destroy unions altogether, or punish them for asserting their unquestioned rights. Punitive legislation, or the outlawing of union activity, or the repeal of the Wagner Act, would, in my opinion, destroy the very collective bargaining process which should be the basis of labor peace.

I believe very strongly that the preparation at this time of a labor bill should be done by the committees of Congress and not by some special commission. Some of the proposals like elaborate changes in the basic theory of the Wagner Act, or even the nation-wide bargaining matter, seem to me at this time more complicated than can be handled without a more fundamental study. Such a study might well be continued after the report of our bill, either by the committees of Congress or by such a commission as the President has recommended.

Correct Fiscal Policy

The other question equal in urgency and importance to that of labor is the fiscal policy of the United States Government. A correct policy is the very basis of sound economic conditions and essential to all other steps necessary to avoid another depression. The President will submit a budget tomorrow to Congress which is said to ask for the expenditure of some 37 billion dollars, including 11 billion dollars for the armed services. In my opinion, without cutting the armed services, we should be able to squeeze from 3 to 4 billion dollars out of that budget so that our total expenditures do not exceed 33½ billion dollars. With the tremendous cost of our armed services, of our public debt interest and of our veterans' program, 1947 is no time for the expansion of spending except in the most necessary fields.

Present Income Taxes Unsound

I believe that our present personal income taxes threaten the soundness of our economic structure. The President's budget apparently proposes to levy on the people the huge sum of 39 billion dollars for a period beginning two years after the end of the war. Added to State and local taxes, this is a total of 49 billion dollars or nearly one-third of the national income. Every man and every woman is working one day in three for government. The burden is heavy on all classes of people. Single men or women earning $1,200 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. Those corporation executives who can do so much by brilliant leadership to improve methods and techniques of management and increase the productivity of workers, have to pay more than half their income to the government and have every incentive to quit working at the earliest possible time. The very wealthy pay up to 90%, and certainly have no incentive to take a risk in the new ventures which

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create employment or do otherwise than leave their money idle in government or municipal bonds. The whole incentive to work hard is deadened.

Furthermore, when taxes are so burdensome there is a constant effort to redress them by increasing wages and salaries throughout their entire range. That means increased costs and therefore increased prices. In effect, the high taxes are paid through the easy panacea of inflation. Inflation is always the method by which excessive pressure is likely to be evaded.

In my opinion it is essential that personal income taxes be reduced. If the budget can possibly be held to 33½ billion dollars and if the excise taxes are restored, it should be possible to reduce by 20% the total burden of the personal income tax. Corporation taxes and excise can wait for another year. Of course tax reduction must be contingent on the reduction of expenses and a balanced budget.

Major Depressions Must Be Avoided

The Republican Party recognizes that the elimination of recurrent periods of hard times and depression is the most vital long-term problem before us. I have never been in favor of a planned economy which attempts to regulate all economic matters in detail from central bureaus, but I do recognize that there must be an intelligent direction of government fiscal policy and at least control of credit if we are going to be able to prevent booms and depressions. I have felt that unless we could eliminate depressions as severe as that of the thirties, the people would soon say that, brilliant as the results of the free enterprise system, they are not going through the hardship and suffering involved in repeated major depressions. Either our system must solve this problem or the people may well turn to planned socialism, however autocratic and soporific its effects. So, in the so-called Full Employment Bill of last year, as rewritten by the Republicans, a commission of three economic advisors was set up to study the whole problem and make annual recommendations for legislation to deal with it.

The President's Economic Report

We have now received the economic report of the President, and it is to be considered by the Joint Committee on the Economic Report. The report is a very interesting, valuable and inconsistent document. It sets forth accurately the facts on which conclusions must be reached, but it seems to have been a compromise between the President's Board of Economic Advisers who took an orthodox view of economic problems, and someone in the President's office who might have written the old reports of the National Resources Planning Board in cooperation with Henry Wallace.

The report properly debunks the theory that the depression problem can be solved by manipulating a public works program. It recognizes that the best method of bringing real purchasing power to consumers is through the reduction of prices rather than the increase in wages, although it hedges on the question like a political report instead of a courageous economic statement.

On the other hand, peeking around all the corners of the report we see the whiskers of Mr. New Deal. The spending theories of Harry Hopkins gradually take command and determine the ultimate recommendations. The report seems to adopt the theory that mass purchasing power is the solution of all problems and furnishes a justification for every New Deal measure. In short, we are again going to spend ourselves into prosperity. Little emphasis is laid on the necessity of balancing the Federal budget. Federally controlled employment service, F.E.P.C. laws, school-lunch programs, farm security programs, increased unemployment compensation, are all brought forward as part of a program to solve the depression problem.

Spending No Solution for Unemployment

I don't deny that all government spending has some relation to a stable economy but it is entirely secondary and certainly furnishes no solution to the problem of full employment. The report is used as a vehicle to recommend a complete social welfare program, as well as the Hull Reciprocal Trade Agreement program. Of course, there is a lot of room for improvement in health, education and welfare, which I shall discuss later, but those programs ought to stand on their own feet because their effect on the problem of full employment and prosperity is only incidental. When the Joint Congressional Committee on the Economic Report comes to make its recommendations, I hope it will confine itself to the problem of creating and maintaining in this country a stable economy, of alleviating the severity of business recessions and keeping employment at the highest possible level. Other committees of Congress can consider the political measures recommended on their own merits.

The welfare program should be handled as such. I am particularly interested myself in sound development of programs for social security, housing, medical care and education. Primarily, these are matters falling within the responsibility of the States and local governments. Their administration and control must remain with those governments. In my opinion, we cannot retain freedom in this country if all power is concentrated in Washington. But that does not mean that the Federal Government can wash its hands of matters so closely concerned with the welfare of the entire nation.

There is no Constitutional objection to assisting the States in the development of adequate programs. I believe that the people of this country have decided that in a country so wealthy, and capable of such huge production, we can abolish extreme hardship and poverty, and obviously this is only possible if we bring into play the resources of the entire nation. Our free enterprise system produces the highest average standard of living in the world, but since it is based on incentive and reward for work done, there are always a good many people who, through misfortune or lack of ability or even through their own fault, fall far behind the procession and present a picture of need in the midst of plenty. There is an economic school of thought which takes the position that these people deserve poverty and should suffer for the benefit of the general system. Regardless of economic theories, however, the American people are a humane people, and they intend to prevent suffering. They believe in extensive private charity and give freely. But more than that, anyone who has been in Congress or the State Legislature knows the tremendous popular support behind measures to improve the conditions of the lower income groups, and particularly to give to their children the equal opportunity in life which will permit the development of their full capacities.

Federal Assistance to the States

What is the justification for Federal assistance in the fields which should be administered by the States? In the first place some States are very much poorer than others. Some people seem to feel this is not the fact, but modern methods of computing income of the people of different States shows beyond question that per capita income of some States is less than half as much as that of others. The job we are trying to do is beyond their capacity, and yet the people of the country as a whole are almost as much interested in the welfare of the people of those States as of their own States. In the second place, States are necessarily limited in their ability to tax. The taxation of real estate has reached the limit. Attempts to tax income, business or inheritances more heavily than other States only results in driving the taxpayer to change his residence or move his business. Most of the State revenues are already tagged for the basic governmental services and for schools and roads. Consequently, when any large, new burden falls on the States, they have no means of raising the money. We saw this clearly in the huge unemployment crisis in 1932. Finally the Federal government can provide the incentive, the education and the leadership to stimulate action by the various States.

It seems to me, however, that the limit of Federal interest in providing money is to reach the lowest-income groups. The very hypothesis on which we assist the lowest income groups is the wealth and prosperity of the average citizen. If we relieved him of the job of earning his own way and supporting his own family, we would be substituting government action for private initiative and finally for private freedom. The nation's interest, as I see it, is only in helping the States to put a floor under subsistence, housing, medical care and education, the essentials of life and opportunity. I don't say that the Federal Government cannot furnish aid in the way of education and information in other fields, but unless the incentive in such fields comes from the citizen himself, Federal aid or even State aid is not going to be of much use. The basis for Federal tax assistance, in my opinion, is only to assist in the elimination of hardship and poverty.

I quite realize that whenever Federal money is involved there is a tendency to insist on Federal power, but I believe that if the legislaive policy is sufficiently declared the administrative officers of the Federal Government will accept the theory and the role which is assigned to them. That has been true of many Federal aid programs, even though other more determined New Dealers have tried to run State bureaus, usually with the support of some broad New Deal language in the Federal law. The first essential condition of State aid is that complete power of administration rest with the States as long as the funds are used for the basic purpose of the law.

Another condition must be that the amount of money is not so great as to impose an excessive burden on the taxpayer. In the long run, the lowest income groups can only be assisted by taking directly or indirectly from the rest of the population some part of the earnings which they would otherwise be receiving at or about the same time. There is no such thing as a great national reserve to provide current consumption. There is no great reservoir of profits. In some years profits are high, and in others they disappear. We cannot impose on four-fifths of the population so heavy a tax as to kill the incentive and the willingness to work, which is the very basis of our whole success, and of the income which we are taxing. This is particularly true at the present time when the nation is suffering under the tremendous burden of the greatest war in the history of the world. Any addition which we make to the Federal budget must be in a reasonable amount.

Health Program Significant

The proper limitation of a social welfare program is most clearly shown in the proposed health measures of the Federal Government. President Truman advocates the Wagner-Murray-Dingell Bill, a Federal compulsory sickness insurance plan. Under that plan there would be a payroll tax of 3% or 4% and and equivalent income tax on those who are not employed. Four or five billion dollars would pour into Washington to be used by a Washington bureau to pay all the doctors in the United States to give free medical care to all the people of the United States. In my opinion, the plan violates every principle of sound Federal aid. It not only socializes medicine, but it Federalizes medicine. The entire administration of medical care would be transferred to a Washington bureau and taken away from the States and local governments. It is impossible to conceive of any plan which could bring the Federal Government more into the home of the average man and interfere more with his independence to conduct his daily life as he wishes. It is tremendously expensive and imposes a great addition to the burden of taxation. It is all very well to call it insurance, but compulsory insurance is not insurance at all. It is a tax. You have to pay it whether you want to or not, and whether you want Federal medical care or not. It takes that much from the income available for spending on the things your family wants.

Furthermore, it covers 99% of the people instead of merely aiding the lowest income groups. We have long admitted the principle of giving free medical care to those unable to pay for it. Nearly every city provides general hospitals and necessary assistance to the poor. It is quite true that this State and local aid has grown up in a rather haphazard way, and that it does not reach some of the poorer districts and particularly the rural districts. But in order to fill those gaps it is not necessary to throw away the whole medical system which on the whole has given this country the best medical care in the world. It is not necessary to make every doctor an employee of the Federal Government.

Federal Aid for States in Medicine

The Republicans have proposed a plan of Federal aid to the States contingent on their setting up a more systematic and comprehensive plan to see that every citizen unable to pay for medical care can receive doctors' services necessary for himself and his family. We are proposing to spend about 200 million dollars after 1948. First to stimulate the States to a comprehensive survey of such care, and then to establish the necessary improvements. In short, we propose to fill up the gaps in the existing system instead of throwing that system away and plunging into a vast scheme whose very administration would add 500,000 employees to the Federal payroll.

The same principle applies to the Republican program in the other fields. I have introduced a bill providing for Federal aid to education in order that every child shall receive at least a minimum education regardless of the poverty of the State in which he lives. I believe the Federal Government is interested in seeing that every child shall receive at least enough education so that he can understand the opportunities which lie before him. Because State tax systems were set up largely to provide financing for education, I believe that most of the Federal money in this field should go to those States whose per capital income falls below the national average.

Of course it is peculiarly necessary in the case of education that the Federal Government does not interfere in any way with the system of education provided by the States. If we want to maintain freedom in this country, we must permit the people of each locality to determine the kind of education they want their children to receive. We don't want the children of this country educated in one kind of ideology, because a group of serious thinkers, good or bad, have managed to get control of a Federal bureau of education. That is the reason why we cannot give Federal aid to private and parochial schools in a State whose system of education refuses such aid and separates common school education completely from religious education. Under our bill, if the State recognizes and supports private and parochial schools with its own money, it can use Federal money for the same purpose.

A Housing Program

In the housing field, the same general principle should apply—Federal aid to be extended to assist States and local communities, on their request, to provide minimum decent housing for those unable to pay for it themselves. There should be no direct aid except to the lowest income groups. I have been unable to find any way in which this can be done, except through a program of public housing, and I believe Federal support should be given to such a program. Nothing is more important if we want all of our children to have a reasonable opportunity in life than at least to give an opportunity for decent home surroundings for every family. The program is expensive and the Federal Government cannot afford more than reasonable assistance. Public housing should not be more than 10% of the total new construction, the other 90% to be provided on the usual economic basis with private financing.

The general welfare program, of course, also requires the extension of social security and old age payments to those groups of the population who do not now receive it.

I have tried to outline the basis of a sound public welfare program and the part which the Federal Government should play in it. These are long-term proposals, and require study and discussion. We should get a good start this year, although our first attention must be given to the immediate problems which we face.

Essentially, the Republican position is that the only sound basis for progress in the United States is the freedom of the individual to direct his own life, the freedom of a local community to govern itself, the freedom of business to expand and create more production and employment at its own discretion so long as it does not infringe on the rights of others or the general freedom of competition. It is not necessary to turn to socialism for further progress in any field. A sound public welfare program can be completely developed without infringing on this freedom. The tremendous progress in this country which has been made in the last 160 years has been due to the liberty which was the very basis of our Constitution. The only sound foundation for further progress is that same liberty.

Today's Economic Factors Facing Management

(Continued from first page)

vantage of the opportunities of a dynamic period, the shape of which we can see only vaguely at this time. My assignment in this paper is to outline the results of some of the studies which we have made at the Bank of the Manhattan Company of the basic forces which are likely to be the determining factors in setting the pattern of our economic development, and in charting business policies, and in setting up production schedules, financial budgets and capital programs in the challenging situation we appear likely to face.

For the purpose of this paper it is useful to divide the postwar period into several phases:

Phase I—A period of reconversion, demobilization, and decontrol. We seem to be near the end of this phase.

Phase II—A period of extensive readjustment made necessary by the many distortions, maladjustments, and tensions which we have inherited from the war and reconversion years. The breadth of and time required for the adjustment necessary to restore normal working relationships between prices and costs, and to correct the many maladjustments which had their origin in the abnormal conditions of demand and supply during the past few years are likely to differ widely among various industries, commodities, and areas of the country. While the timing and order of developments in this phase do not lend themselves to precise prediction there is basis for the belief that the required changes—some of which may well be painful—should be made without a prolonged or severe depression unless labor unions paralyze our sensitively organized industrial society and keep efficiency so low that our manufacturers have no alternative but to raise finished goods prices to a point where the purchasing power of incomes will be severely curtailed. The belief that no severe or prolonged depression is called for in the near future, unless labor unions force business into a tailspin, is based on:

—the very substantial backlogs of deferred demand which have yet to be met,

—the clear evidence that the monetary and banking structures are so strong as to be virtually immune to violent deflation,

—the undeniably strong financial position of the people and of business, individual holdings of U. S. Bonds, currency and bank deposits being $106 billions higher and corporation net working capital $29 billions higher than in 1939.

—the fact that there have been so many predictions of a readjustment in 1947 that many businesses are following such cautious policies as to provide a degree of insurance against the need for serious retrenchment later.

Phase II thus seems likely to be a period of readjustment which will turn out to be a period of depression only if labor leaders insist on continuing the sort of chaotic policies they have followed in the past year.

Phase III—A period of high-level production marked by intense competition, considerable economic instability, high but volatile prices with upward trends of produtcion, consumption, and the standard of living. It is this phase to which the discussion which follows is directed.

The Technological Revolution

This may well be an historically propitious moment in the Nation's economic development, for we are in the midst of a great technological revolution, which has already produced vast new industries and gives promise that new investment in productive enterprise can again be a dynamic force making for economic expansion. And the technological potentialities seem likely in the long run to be realized, since many of the barriers to business expansion, which kept American industry in the doldrums for over a decade, have recently been removed. The deflation, first in the volume of money, then in the rapidity of its turnover, which accompanied and followed the dreariest and most devastating depression this Nation has ever experienced is now behind us. A global war of defense against powerful enemies, which was a deflationary factor on investment even in the late '30s when the clouds of conflict were forming, has been fought and won. The people have recently elected a new Congress under circumstances which leave no doubt of their determination to have done with the anti-business policies which for more than a decade stifled business initiative. And finally we seem clearly to have emerged from a period which was marked by progressively higher and steadily more burdensome taxation and now face the prospect of successive and substantial tax reductions.

On this evidence an optimistic appraisal of the post-readjustment phase would appear to be justified for it has been many years since the basic factors have been as favorable for a great revival in initiative and enterprise, and technology has set the stage for a great economic upsurge. What is involved in the revolution in industrial technology?

Each of us is vaguely aware that something revolutionary has emerged from the industrial laboratories in the past decade; but, while it is easy to see that in our own business there are new processes to be integrated into the industrial pattern, or here and there a new product to be developed, there is little recognition of the opportunity for expansion which these amazing developments offer to the economy as a whole. It is perhaps not too much to say that we stand on the edge of one of the most glorious periods of man's struggle to increase his economic well-being, the way having been prepared for a new adventure in conquering want and raising the standard of living to levels undreamed of even in this land of great productive achievement. A partial list of the new methods, materials and machines available to industry to enable it to increase the production of better goods at lower real cost follows:

New Methods, Materials and Machines

In the area of electronics we have new automatic counters, new controls over quality, new methods of color analysis, and new means for making industrial processes automatic, cheaper and safer. We now have cheaper means for tempering, bonding and sewing metals, wood and other materials and new means of increasing the safety factor in air, land and sea transportation.

In the lighting field, we have in fluorescence cheaper lighting for the home and better light for industry so that work performance can be increased, new means for determining the freshness of foods and of preventing spoilage, new methods for detecting plant disease and infections—all of these capable of lowering costs and increasing output somewhere along the line.

In super-octane gasoline, in the diesel engine, in the turbo-supercharger, in the gas turbine and in the increased efficiency of steam power generation—not to speak of atomic energy—there are potentialities for bringing about changes of profound significance in the efficiency and cost of power for industry and transportation.

In air transport—domestic and international—we have not only the means of speeding the movement of men and materials but of reducing costs in many instances.

New discoveries in powder metallurgy are creating an unadvertised revolution in the metal working industry with porous, self-lubricating bearings and machine tools of incredible hardness and durability; and also we have new drilling techniques, faster feeds for automatic machines, centrifugal forging and electronic controls for whole batteries of machines—all of which mean considerable savings in materials and manhours of labor used in producing the goods we need. New light metals at new low prices, we may be sure, ultimately will reduce significantly the initial and maintenance costs of the automobile, of trucks and busses, household gadgets and railroad equipment.

In medicine we have in the vitamin techniques, in sulfa, penicillin and streptomycin, in new hearing aids, in germicidal lamps, in the new optical devices and in the electron microscope the new materials and techniques which open up a vista of a longer and more healthful life, more productive hours and higher efficiency for our people.

In housing we have partial and complete prefabrication, packaged kitchens and bathrooms, more efficient and compact heating devices, new insulating materials and a host of materials and processes which will extend the life of housing, lower its initial as well as its maintenance cost and increase the comfort it supplies.

We have a wealth of synthetic materials, such as rubber, plastics, unbreakable glass, new coatings for old as well as new materials, and new fibres of amazing versatility, utility and cheapness. The scientific wizards of our great chemical industry have provided synthetic longer-lasting paints, new and more effective glues, new uses for waste materials too numerous to mention and new detergents. They have also developed new methods of treating, proofing, testing and strengthening fabrics which offer a wealth of new uses. The chemical industry is in fact a veritable storehouse of near miracles with vast potentialities for creating new products as well as new markets for old ones if enterprise is permitted to develop them.

New Industries

In addition to all these new products and processes with their vast implications as to material progress, quality improvement and cost reduction, there are many areas in which clearly defined new industries are forming.

Some new industries of the future—and not so distant future at that—are to be expected in the field of radio, in frequency modulation, facsimile reproduction, television in black and in color.

In frozen foods there is a vast new industry with the need for thousands of additional locker plants and a fantastic market for new home freezers and new equipment for refrigeration in trucks, railroad transportation, etc.

In air conditioning we have barely scratched the surface of a new industry which provides the mechanism not only for making life more comfortable, but also for creating conditions where working efficiency is increased, new standards of precision are feasible, and new materials can be worked more economically.

In the mass production of small airplanes we may look forward not only to a new industry but to new aids in spraying crops, detecting and preventing forest fires, patroling pipe lines, directing traffic, laying wire and a host of other uses.

Finally, we face a fantastic transformation in the ancient industry of agriculture. We have a wealth of new farm machines—new machines for planting pelletted seeds with built-in insecticides, fungicides and fertilizers, variable depth planters, pick-up balers, transplanting machines, mechanical pickers, and flame weeders. In combination with other products and processes, such as insecticide bombs, new bug killers, chemical weed killers, new strains of seeds resistant to various types of damage which in the past have kept costs high, precision planting, and new crops such as soy beans, which constitute a vast new industry in themselves, these developments are the forerunners of far-reaching changes. They open up new possibilities for improving the quality and reducing the cost of a wide range of food products, which in turn means larger markets for more production and better-fed and, therefore, more productive people. Science has brought all these from the stage of idle dreams to present or near realities.

This is but a partial list of the new industries, methods, machines and materials which applied science is making available to American industry, yet it is long enough to show that we are on the edge of a period when new

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Today's Economic Factors Facing Management

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industries and new possibilities of expanding old industries by reducing costs to the consumer will provide a basis for keeping our business operating at a high level long after the temporary postwar demands have been forgotten.

Technology Capable of Removing the Threat of Economic Maturity

We have in this new phase of American industrial development the ultimate answer to those who would sell this nation short. The facts of technology make a shambles of all the silly talk of economic maturity we have heard from the die-hard pessimists. With so many new industries and new markets for old goods as a result of the lower costs of production, we have many years of intensive development ahead and our new scientific frontier pales into relative insignificance the geographical frontier of the past. How ridiculous it is to talk of over-saving and under-investment when industry is faced with the potentialities of expansion inherent in the technology of the present, not to mention the promise of science unleashed in the years ahead. The chronic unemployment in the '30s, which many sincere but misguided students assumed to be our permanent lot, was but a reflection of the deadening effect on enterprise of a deflation as serious as that we experienced following 1930, together with the anti-business policies so popular at that time. There is a risk now that we shall have a shortage of labor, of capital and of savings, and it clearly is time for us to reappraise the policies of the past in terms of the new potentialities of the future.

Technology Capable of Removing the Threat of Under-Investment and Over-Saving

Technology, furthermore, offers an avenue of escape from two of the economic dilemmas with which we have been confronted. The first is lassitude of investment in new facilities at a time when large numbers of our people were without many of the commodities commonly associated with the American standard of living. The connection between the volume of investment and business well-being is an obvious one for whenever business expenditures for new and improved facilities have been low, business has been depressed, whereas by contrast, our periods of prosperity have always been marked by large scale investment expenditures. It is not without significance that in the late '20s when business was good and unemployment at an irreducible minimum the volume of new private security and mortgage issues averaged about $8.8 billions, while in the depressed period, 1936-38, when we had an average of almost eight millions unemployed, the total of new security and mortgage issues was only $1.3 billions per year. The root cause of our predicament during the longest depression we have ever known was clearly the discouragement of private investment by government; and now that political attitudes have changed so dramatically for the better, it is likely that industry will make colossal investments in order to apply commercially the wide range of developments which technology now offers. Technology lowers costs and widens markets, creates new industries and accelerates obsolescence, and a few figures will show how far-reaching the change in investment is likely to be:

Our railroads may have to spend several billion dollars in the next decade if they are to take advantage of the new light-weight streamlined passenger trains, the new motive power, the new light-weight freight cars with modern bearings and the new signal and radio communication systems all of which make it possible to reduce real costs, increase speed and improve the safety of railroad transportation.

Frequency modulation radio can be made available to our people only by the expenditure of vast amounts for broadcasting and transmission facilities for it has been estimated that we may need as many as 3,000 such broadcasting stations.

Before television can be made available to more than half of our population, vast expenditures will be required for transmission and broadcasting facilities, and coaxial cables alone may involve an investment of close to $1 billion.

Because a large proportion of the housing construction which now is planned will be on "raw," undeveloped property, an investment by municipalities of close to $1,000 per house will be necessary for roadways, school facilities and other community services, and with housing scheduled at about 1,000,000 units per year for some time ahead the required investment is quite large.

Because industry needs vastly increased supplies of electric power if it is to make full use of the automatic machines which science has recently developed and because of increased use of power by the many electrical devices now regarded as standard equipment for the home, it has been estimated that it will be necessary in the next five years to expand central station capacity by one-third—which would exceed any five year increase on record.

The cost of full mechanization of cotton farming is estimated at $50 per acre and since we have over 20 million acres of land devoted to cotton growing, it is obvious that a substantial investment will be required.

If we are to have full development of the airplane transport industry we shall need in addition to large expenditures for planes and ground serving equipment, an investment of perhaps $2 billions in airports.

Several large corporations have announced plans for colossal capital expenditures in the next few years; one expects to spend $2 billions in that period, another $600 millions, and a considerable number of our larger corporations anticipate that their capital expenditures will be more than $100 millions each, and in numerous cases more than any comparable period in their history.

Expenditures by industry to take care of the new technological developments, plus expenditures to offset deferred obsolescence and maintenance during the war years, when added to plant expenditures by municipalities and by individuals for housing facilities, are capable of raising total investment expenditures to an average level of many times what they were in the depressed '30s and perhaps even as high as two times what they were in the prosperous '20s. Thus if business initiative is free to make full use of the opportunities for expanding markets and lowering costs which technology now offers it seems likely that we will no longer have reason to fear that under-investment and over-savings will act as a powerful deflationary force in our economy.

Technology Capable of Removing the Threat of "Pricing Consumers' Durable Goods Out of the Mass Markets."

The second delemma with which we are faced today is that involved in rising incomes at a time when purchasing power is declining. Business justifiably fears that the prices which now have to be charged place many articles beyond the reach of the mass markets and this condition prevails primarily because labor efficiency is so low—it being the iron law of economics that people cannot consume what they do not produce no matter how high their money incomes happen to be.

Productivity is admittedly low and a recent survey suggests that it is probably from 70% to 90% of what it was in prewar years. Part of the decline in efficiency is due to the feather-bedding which some of the unions have forced upon industry, part of it is due to a natural let-down after the emotional stresses and long hours of war, and part of it is due to soldiering on the job for which there is no excuse, but the prime factor responsible for it is probably the successive waves of strikes which have brought many interruptions in the flow of materials and prevented the assembly lines from moving along evenly. It is probable that in time most of these factors will be corrected, for it is inconceivable that American labor will, for long, soldier on the job; some of the more statesmanlike of our labor union leaders are already insisting that the unions cease their objections to the use of labor saving equipment; and the fever of strikes seems likely to subside when Congress has passed more reasonable labor legislation and when the cost of living ceases to rise. But our chief hope that instead of pricing ourselves out of markets, we can price many more commodities into the mass market is found in technology for it is through technological improvements alone that real costs are reduced.

The phenomenal growth of American industry and the accompanying improvement in our standard of living to a point where it is the envy of the whole world is the result of one of the most powerful chain reactions in economics, i.e., from technological improvement to lower costs—from lower costs to wider markets—from wider markets to mass production—from mass production to still lower costs and from lower costs to still wider markets. Our economic history is replete with examples of this progress but I want to mention just a few. American productive enterprise, using the methods of modern science to supply markets created by our merchandising genius:

—lowered the average price of automobiles from over $2,100 in 1907 to $565 for a much better, a much more luxurious and a much more efficient automobile in 1940, with the result that the number of cars in operation increased from 140,000 to 27,400,000.

—reduced the average retail price of household electric refrigerators from $350 in 1927 when 375,000 were sold, to $155 in 1941 with the number sold increasing to 3,500,000.

—reduced radio prices from an average of $127 per set in 1934 to $40 in 1941, while the number of sets sold increased from one million to over 13 million.

—reduced the average unit price of household electric ironers from $150 in 1925 to about $50 in 1941 and increased the number sold by six and one-half times.

—reduced the average unit price of electric washers by almost a half from 1922 to 1941 while the number sold was increased by almost five times.

—reduced the average retail price of incandescent lamps from 39c in 1921 to 17.6c in 1941 and increased the number sold approximately five-fold.

—reduced aluminum prices in the period 1930 to 1946 from 24c per pound to 15c per pound, in which period production was increased from 114,000 tons to more than 500,000 tons.

—reduced magnesium prices from 27c per pound to 20½c from 1930 to 1944, while consumption was increased by 7500%.

—reduced prices of automobile tires and tubes by two-thirds in 20 years so that production could be twice as great. On a tire-mile basis, tires cost only about 8.5% as much in 1939 as they did in 1921.

—reduced rayon yarn by about three-quarters in price, while production was increasing 11 times.

The pattern of rising consumption with lower prices was an outstanding feature of our economy prior to the great depression and the technological revolution in which we now find ourselves offers the promise that we are at the beginning of a new period, when American industry will bring larger and larger quantities of a wider and wider variety of goods and services within the reach of more and more of our people.

Outstanding Characteristics of the Post-Readjustment Period

Allowing for the likelihood that 1947 may be a period of extensive and, in some cases, painful readjustment in production and prices and that, from the longer range point of view, we are in a technological revolution, what then are likely to be the outstanding features of the next few years?

1. A High Level of Production

Once we have successfully passed through the readjustment period, we should enjoy a period of productive activity far surpassing the '30s, for not only does the technological revolution offer a sound basis for long range expansion but American business has several vast new markets to develop in the immediate future. These markets are the result chiefly of wartime developments—the deferred demands of consumers everywhere which accumulated during the war period; the accelerated rate of family formation which provides a solid and substantial market for housing and furnishings and community facilities; and the needs of great sections of the world not only for relief and rehabilitation but, what is more important, to rebuild, to improve, to extend and to modernize their productive facilities. Another circumstance of great significance to the markets of the future is the fact that millions of our people who were completely or partially unemployed during the depressed '30s were raised abruptly to the middle income class during the war years. These people now have a considerable stake in cash, deposits and War Bonds, in addition to a better prospect of employment than they had in any peacetime year since the early '30s; hence they are in a position to transform their wants into effective demand in the markets of the country. Such demands are not likely to become effective until the cost-price readjustments of the next few months have been completed, but they are large enough to justify an optimistic appraisal of the post-readjustment outlook. It has been estimated that since 1940, our total population has increased 11 millions, the number of new families has expanded by over four millions, approximately 3.5 million families have migrated from one place to another, and 12 million more people are employed at an average increase in weekly earnings close to 70%. The impact of these changes on family purchasing power is significant, and the number of families and single spending units with annual incomes over $2,000, has been raised from about 6¼ millions in 1935-36 to close to 25 millions today. These statistics give a rough indication of the solid and substantial market for goods of all descriptions including housing, and automobiles and community facilities which now awaits development.

2. Intense Competition

Before long we shall have moved out of the condition of scarcity which has prevailed during the war in many lines of goods, out of the period of reckless buying without regard to quality or price, to a condition of relatively plentiful supply and a greater variety of choice among qualities and prices of goods and services—in short, from a sellers' to a buyers' market. It is probable, therefore, that the post-readjustment period will be one of keen competition.

Supplementing the normal tendencies in this direction will be the many and highly significant technical devolpments which have come out of the war period, to which reference has already been made. New industries mean new competition for the consumers' dollar. New techniques, materials and methods mean new low costs for those who take advantage of them and new price competition for those who do not do so. Presaging a period of sharp competition from still another direction is the tendency apparent in many instances for business concerns to widen their fields of endeavor by entering lines of production, merchandising or service heretofore outside their spheres of activities, which means that they are, or will be, new competitors of the old-line companies. In some fields of industry, the war period brought an expansion of facilities to a point much beyond anticipated peacetime needs and doubtless present ambitious plans call for more expansion in some lines than later demands will actually support. Moreover, it has been a fairly common experience of American business, even where excess capacity does not exist, to find that the break-even point has risen materially above what it was a few years ago. And finally, foreign competition can assuredly be expected to reassert itself in time. On the whole, it appears that the post-readjustment period will be marked by rugged competition, relatively low profit margins and a high rate of business mortality, in which event business risk may be a much more significant factor than it was during the period of easy wartime profit.

3. A High Degree of Instability

It is probable that the high-level activity which it is expected will mark the post-readjustment period will be accompanied by economic instability to an important degree. Some of the markets to which reference has been made are more or less temporary. For example, the deferred consumption demands resulting from the war and the foreign relief and rehabilitation requirements will eventually decline in importance. For a while, business concerns will make heavy capital expenditures, as will individuals and state and local governments, but these expenditures are likely to vary considerably from year to year.

Furthermore, the Government itself will probably add to the instability in our economy at times. Although the theoretical objective of "compensatory fiscal policies" is to offset fluctuations in private investment and business activity, in practice political considerations often transcend economic considerations as the determining influence in Government expenditures and tax policies. Moreover, tax policy is likely to have a disturbing effect. It is a cumbersome control device, for the effects of a tax reduction or a tax increase on the budget and on business are likely to be considerably delayed beyond the economic need for such action. In the field of debt management and monetary policy, the Government's frequently announced objective of keeping interest rates low is likely to become increasingly inconsistent with the Federal Reserve Board's duty to curb speculation and to prevent inflation. Government policy is likely to err first in one direction and then in the other, it is likely to be poorly timed, and it is likely to be too little or too much. Government is thus more likely to be a factor making for instability than one making for stability, and with the high level of Government expenditures which seems likely, fluctuations in receipts and expenditures will tend to have a magnified effect on the economy as a whole.

Business policy, too, influenced as it is by waves of speculative optimism and pessimism, and by frequent changes in the international outlook, is likely to add to the instability which probably will mark the post-readjustment years.

4. A Higher Level of Prices

Inflation is an active force in our markets and in a long range, over-all sense provides support for the general level of prices—that is, the average of commodity, real property and security prices as well as wages. The inflationary pressures are still so powerful that, whatever may happen in the readjustment phase—and the actual post-war peak in commodity prices may be reached in the near future—the general level of prices in the years that follow seems likely to remain substantially above that of the pre-period. We have in organized labor a powerful agency for holding wages high. And the monetary structure was so greatly expanded during the war that it seems likely to stand as a barrier to deflation, if not an active factor making for inflation. In fact, the policy of compensatory spending by the Government is inflationary in its longer-range implications for, while under actual practice we get heavy deficits in emergency periods, there is little or nothing in the way of surpluses in good times.

Under current conditions, it would be surprising if we failed to have quite wide fluctuations in the broader price indexes as well as in the prices of individual commodities, but, the general level of prices seems likely, on the average, to remain substantially above that of the prewar years.

5. A Rising Trend of Interest Rates

The post-readjustment period is likely to be marked by a shift from a buyers' market for credit, which has now lasted almost 12 years, to a sellers' market for long as well as short-term accommodation. With savings likely to be reduced from the levels of wartime—when they were forced—and of depression—when fear stalked the land—and with the demand for credit in the form of new security flotations by municipalities and business corporations likely to be substantial, the trend of interest rates should be moderately upward with credit terms less liberal than they were when the demand for credit was light and the Federal Reserve was flooding the banks with unlendable funds as an anti-deflationary measure.

Business Policy

This picture of the general shape of economic things to come suggestion, I think, that business should adapt its policies to near-term caution and long-term optimism. While conditions will show marked variances between companies and industries, the following general observations would appear to be pertinent:

1. Production schedules should be geared to very careful, thorough and skeptical analysis of postwar markets. While the volume of business for many industries will be considerably above that of the '30s, some of the highly optimistic forecasts seem hardly to be justified by the conditions we may have to face. It will be well for us to re-examine the basic estimates to which sales and production programs are geared.
2. Inventory policies should be reasonably conservative. Price fluctuations in commodities are likely to be quite erratic and it will be far better for inventory policy to be closely geared to the conditions in individual commodities than to the assumption of general inflation. It is dangerous to expand inventories unduly in periods of inflation because the gain when prices are rising is less than the losses when prices collapse. The times suggest that it will be better for business in general to stay in the business of producing as efficiently and selling as aggressively as possible and to avoid going into the business of inventory speculation which generally has proved to be costly.
3. Financial and credit policies should be conservative and closely adjusted to the sort of long range financial budgeting which many concerns have found indispensable. We face probably a significant change in the supply and demand relationships for credit. It is good advice all of the time, but particularly for the period ahead, that financial policies be conservative.
4. The prime objective should be the achievement of a low cost position with respect to one's competitors. In a period of broad technological progress it is incumbent on every business to see that it achieves the highest standards of efficiency and the lowest possible costs of production and distribution. The low-cost concerns should be the ones which profit handsomely in the good years ahead and survive the depressions.

Will Sterling Be Made Convertible?

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cede a large amount of dollars in part settlement of the amount owed. The proceeds of the dollar loan are dwindling rapidly, owing to the adverse balance on trade with the United States. And Britain can, in such circumstances, ill afford to spare large amounts for the purpose of facilitating the settlement of her debt to India.

Nor is the outlook for a settlement of Egypt's holding of blocked sterling, amounting to some £400,000,000 any too favorable. In Egypt, as in India it would be politically difficult for the Government to consent to a substantial reduction of the British debt. And the smaller creditor nations will take their lead from the two largest creditors. So far the only creditor country with which Britain has come to terms has been the Argentine, and even that agreement is largely provisional and does not provide the final solution.

It is necessary to envisage the probability of no debt funding agreements being reached by July. If the absence of agreements is due to the refusal of the creditors to make reasonable concessions then Britain cannot be accused of having failed to comply with Article 10 of the Washington Agreement. The question is, will it then be possible to find a way in which sterling could be made convertible even in the absence of agreements? The sterling balances could be freezed altogether, in which case it would be technically possible for Britain to restore convertibility for the benefit of current transactions alone.

Such a limited convertibility would be far from inspiring the degree of confidence required for assuring the success of the new system. Even though sterling is grossly undervalued, London would fail to attract overseas deposits. The countries which have large frozen sterling balances will hasten to avail themselves of the right to convert into hard currencies the proceeds of their export surpluses to Britain. The British Government, on the other hand, will be unable to convert into hard currencies the proceeds of British export surpluses to soft currency countries because their currencies will remain inconvertible.

It seems highly probably, therefore, that a restoration of the convertibility of sterling this year would be followed by the acceleration of the pace at which the proceeds of the dollar loan are used up. Britain can derive no conceivable advantage from the unilateral convertibility of sterling, and will have to bear the full burden of it. The question is, how long will Britain be able to bear that burden. Owing to the one-sidedness of the trend of British foreign trade, with its export surpluses to soft currency countries and import surpluses from hard currency countries, it will not be very long before Britain began to experience an acute shortage of dollars.

Britain is not likely to allow its dollar holdings to dwindle to a dangerous extent without taking steps to check the process. A solution would be to make use of the facilities of the International Monetary Fund. Those facilities, however, are very costly, and would provide a purely temporary solution, since they would have to be repaid sooner or later. The only alternative will then be to suspend the convertibility of sterling. This would not be a violation of the terms of the Loan Agreement. Under it Britain gave an undertaking to restore convertibility within 12 months after receiving the loan. There is no provision compelling the maintenance of the convertibility once restored. And even if there were such a provision, it would cease to be binding the moment Britain has exhausted her dollar reserves and facilities. But long before that stage is reached, the chances are that the British Government would consider itself morally justified in suspending the convertibility of sterling, in order to check the drain on its dollar resources.

It seems therefore probable that a premature restoration of the convertibility of sterling would be an experiment that would have to be abandoned before very long. Official circles in London are well aware of this. And when the date for the restoration of the convertibility of sterling approaches they will no doubt endeavour to obtain from the United States Government an extension of the time limit, as an alternative to a purely temporary convertibility that would remove the chances of a permanent restoration of convertibility.

Securities Salesman's Corner

By JOHN DUTTON

Every salesman has his own way of doing things, but if you will check up you will find out that certain fundamental principles are followed by all good salesmen. Not the least of these necessary rules is the ability to refrain from jumping to hasty conclusions. A competent salesman sizes up his prospects carefully. He doesn't underestimate their buying capacity. He is careful not to make any personal remarks that can be misconstrued. He tactfully avoids mention of mutual acquaintances unless he has a clear mandate to do so. He sidesteps politics and religion. He finds out where he is going before he makes his moves.

But there is another very important consideration that must be evaluated carefully which is particularly associated with the selling of securities. This is the common failing of some securities salesmen to either over-estimate or under-estimate their customers' understanding of financial matters. If you over-estimate you are quite likely to talk over the head of your listener. This causes confusion in his mind, establishes doubts, and creates a handicap in accomplishing a close relationship. The other extreme is where a salesman holds such a low opinion of his prospect's knowledge of economics that he tends to gloss over the essential facts when he is telling his story, or over-simplifies and ends up by making a very ineffective impression.

The best salesmen are first of all good listeners. You learn many things about another person if you can train yourself to listen carefull to the things HE SAYS. If you want to know the kind of securities a man buys let him talk for a while. You will soon find out whether he is an investor or a gambler. Keep him talking and you can determine whether he knows much or little about securities. A skillful listener is one who knows how to inject a question at the right time. Once you acquire this faculty you can size up a man's financial capacity in a few minutes.

Here are a few of the different classifications of securities buyers and each one of them should be approached from a different direction if you would be successful in doing business with them.

(1) **The speculator**, interested primarily in quick turns, knows little about values, will buy anything if he believes it is going up.

(2) **The careful investor.** Knows securities, buys for income and price appreciation. Interested in establishing financial independence at some later date.

(3) **The larger investor** who has tax problems, primarily concerned with preservation of principal. Knows securities and is well versed in monetary and financial matters.

(4) **The smaller investor** having from $25,000 to $50,000 and concerned with income and preservation of principal. Not interested in speculations.

(5) **The younger professional or business man**, not too well versed in financial matters. Has some excess income that he wants to invest. Hopes for financial rewards through price appreciation. Keen mind, willing to learn, will accept financial guidance if he believes in you.

(6) **The dizzy widow** who has inherited some money—may wish to have a romance in conjunction with her financial operations. (This one we will leave to your own better judgment, but sooner or later you are going to run into a case like this and you had better know how to handle it or else duck out the back door.) There are other variations of these major classifications of security buyers and each one of them needs to be sized up, classified and then handled properly.

You wouldn't offer a non-dividend paying speculative stock, heavily weighted with risk, but with compensatory profit possibilities, to someone who was interested in conservatism and income. You wouldn't talk the same language with the investor that you would with the speculator. This is academic. The best accounts are those who know what you are trying to accomplish for them. Selling securities is not the same sort of job as selling a washing machine or a suit of clothes. Only when you and your customer UNDERSTAND EACH OTHER, TRUST EACH OTHER, AND WORK TOGETHER TO ACCOMPLISH YOUR MAIN OBJECTIVE, WHICH IS ASSISTING YOUR CUSTOMER TO ACHIEVE HIS OBJECTIVE, WHATEVER IT MAY BE, WILL YOU BE SELLING SECURITIES THE WAY THEY SHOULD BE SOLD. On this basis you will also achieve a highly profitable sales volume.

American Business in 1947

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invitation to assume that everything will be all right, to ignore the obvious distortions that are growing greater weekly, and to contribute by unsound business operations to a later condition that we should all seek to avoid.

The logic of the business outlook is simple. We have been enjoying an inventory replacement boom that cannot continue indefinitely. When it ends, there will be a business recession during which prices and total production will decline while excess inventories are being liquidated.

There is no need for us to argue whether inventories are too high at the moment; sooner or later, if the keep on going up, they will be too high. Is there anything, then, that can stop them from going on up except a decline in production and prices?

I have heard all sorts of arguments in the last few months that attempt to explain why additions to business inventories in 1946 of approximately $9.5 billion dollars should not be regarded as a danger signal.

1. Some say that the gain is chiefly in dollar value, because of higher prices, rather than in units. Let's pass that over lightly; if the argument had an relevance, then dollar value of stocks could be multiplied by two or ten or a hundred and still not be too high. What happens, of course, is that shipments and sales are inflated by the same price factor, and unit demand is steadily reduced.

2. Some say that stocks are still below normal in relation to shipments and sales. To which I answer that the danger is not now but later. A sustained high level of manufacturers' sales at high prices merely means in many cases that buyers have been overbuying. A sustained high level of manufacturers' shipments merely means that goods are being transferred from their possession to someone else's. Moreover, there is nothing that can change so quickly as the ratio between stocks and sales or between stocks and shipments. When the turn comes, sales and shipments will drop off more quickly than production, and ratios will sky-rocket.

3. Some say stocks are high because they contain so many semi-finished items. To them I say: At least be consistent; if shipments are already at record levels despite the lack of some parts, and if retailers' stocks are rising sharply, God help us when the producer is able to finish up his unfinished stocks and really begins shipping.

I see no escape from it: We are having an inventory boom now. We will just as surely have a period of liquidation later—sometime this year. The question is no longer whether there will be a recession, but whether it will be a dip, a decline, or a depression.

Will It Be a Dip, a Decline, Or a Depression?

Let's avoid confusion by getting our terms straight.

A **dip** is so small that you would hardly know it was happening. As with the common cold, the patient sniffles a few times, sneezes, and gets over it. No one remembers the colds they've had, and no one remembers much about the dips we had in 1924 and 1927.

A **decline** is more serious. As with a broken leg, the patient is really laid up; he knows something hit him. He gets over it in due time, and the leg may be stronger than ever; but he never forgets it. Nor have most businessmen forgotten the declines in 1920-21 and 1937-38.

A **depression** is worst of all. It is really bad. It's touch and go whether the patient will live or die; and even if he lives he may never be the same again. What happened in 1929-32 was a depression.

In these terms, the next question is this: Can anything happen to prevent the coming setback from having the proportions of at least a decline?

As I told you, there were many observers who welcomed the sharp decline in security prices last August, believing that it would make businessmen more cautious and prevent a sharp decline in business activity later. I hope these observers are correct in their optimism. If they are, then no businessman will find himself in an over-extended position at the wrong time; far-sighted manufacturers will begin to curtail production before supplies have piled up; and we shall have a dip sometime next year rather than a decline. Something warns me, however, that it is not going to work out this way.

First of all, no industry is going to act as a unit in reducing production before supplies become excessive. Even if it could agree to act as a unit in such a worthy effort, it would run the risk of prosecution under the anti-trust laws by doing so. Is it reasonable to believe, I ask you, that individual companies will reduce their own output at the expense of their own employees and stockholders while other manufacturers continue to operate at a high rate? Or will most individual companies convince themselves that the superiority of their product will assure its market even when the products of other manufactureres are being refused? You know as well as I do that manufactureres will continue to produce at top speed until demand dries up.

Is it possible that retailers will force such a decision on manufacturers before much harm is done? Absolutely not. The retailer is already taking heavy markdowns on poor quality and over priced items, but he is still buying goods that he hopes will sell. What is worse, he must in many cases buy goods now that will not be placed on sale until three or four months later. Many of these goods are being purchased at higher prices, not yet tested at the retail level. The retailer is forced to take a chance on the outcome of the test being favorable. Meanwhile, what happens at the manufacturing level? Does the manufacturer stop production and wait for the test actually to take place? Obviously not. He keeps on producing. If the test fails, a further surplus has already been created.

Perhaps the large accumulated demand for new homes, automobiles and major appliances will keep our decline from being more than a dip? I doubt it. Accumulated demands must be analyzed according to their two phases.

The first phase is what might be called the frantic fringe and consists of a group that will come in and buy a given commodity at any price.

The second phase involves all the rest of the demand that accumulated during the war period, but consists of a group of people who cannot afford to pay unlimited prices, or who rebel against paying them, and who will wait until they can get the item they want at a reasonable price before they make their purchases.

These two phases of demand are present to a greater or lesser degree for many items. The need for homes, new automobiles and refrigerators has been widely publicized. There is also an accumulated demand for such items as men's clothing and many staple textile items.

In all of these items there is a frantic fringe and there is a good solid backlog of replacement demand. The frantic fringe has kept the current boom going and will keep it going longer for some items than for others. But its size is being reduced steadily by rising food costs as well as by high prices for automobiles, refrigerators, and new homes. Sooner or later it will be exhausted; manufacturers will have to get prices down, and retailers will have to liquidate high-priced inventories.

Possibly a decline can be avoided by shipments to foreign markets? We have heard so much about the needs for industrial supplies, machinery and consumer goods in Europe and Asia; surely any excesses produced here next year can be shipped abroad.

This line of reasoning also seems highly unrealistic. Anyone who reads the foreign press knows that for some months past British, Canadian, Swedish, Russian and other foreign observers have been talking about a coming decline in prices in the United States. It would be surprising indeed if foreign purchasers did not do the same thing that domestic purchasers are doing, and become more cautious as prices advance. And it would be surprising indeed if foreign buyers actually did this year what the more intelligent American businessman will refuse to do—to place heavy commitments far in advance while prices are declining.

Hopes that surpluses can be disposed of in foreing markets are wishful thinking. I am particularly disturbed because I have talked to so many manufacturers recently, who comforted themselves with the belief that anything not wanted by the domestic trade could be shipped abroad; they would be far better off simply not to produce these surpluses in the first place.

I am shocked by the size of present distortions. As compared with 1939, production is 67% higher and wholesale prices are 82% higher. Multiplying units by price suggests a value of supply 203% higher, while income payments after taxes are only 110% higher. You may argue that this value figure is too high and maybe it is. But when I see business inventories of approximately $36 billion at the year end, stocks that are still rising at a rate of between $12 and $18 billion a year, then, gentlemen, I want to run for cover. What is coming next, sometime in 1947, is not a dip; it is at least a good-sized decline.

Where Optimism Is Justified

In many respects 1947 will be quite similar to 1920. To that extent I believe that pessimism is justified.

However, there are also important differences. Chief of these is the fact that, although the agricultural price structure is no less distorted now than it was then, there are Federal supports under farm prices that will prevent the coming decline frome being as sharp as it was in 1920, when cotton dropped from 42 cents to 8 cents a pound within a few months, and wheat declined from almost 3 dollars a bushel in 1920 to 1.05 dollars in 1922.

More important, if we are willing to look beyond the coming decline, we can find even more room for optimism. It has been my experience that the position of the capital goods industries is highly important in determining the level of economic activity, over say a 5 to 10 year period.

The condition of the textile apparel industries, on the other hand, is highly important in establishing the timing of the cyclical changes in business activity that are a basic feature of our economy.

At the moment, I would say this:

1. The position of the capital and durable goods industries is too strong to allow a repetition of 1929-32 at the present time.

2. But the position of the textile-apparel industries is deteriorating too rapidly, and prices of new homes and automobiles have been going up too rapidly, to allow business activity to continue for more than a few months longer without a temporary recession.

The political atmosphere also deserves some consideration. The mere fact that the Congress is now Republican will be encouraging to most businessmen. Psychology is a queer thing, but tremendously important. I have no doubt that a Republican Congress could repeat many of the acts of the New Deal Congress without them having the same effects on business sentiment.

However, I count not only on the psychology factor but on tangible political developments. Regardless of parties, there is no doubt that taxes will now begin a decline from the emergency levels of the war period. The Republican Congress is more likely to orient tax policies toward the stimulation of business activity than toward social objectives. Proponents of the latter will argue that the social objectives were also economic ones—to broaden the market for consumers' goods. Proponents of the forever will insist that stimulation of business activity will do more for consumers' goods markets than abortive attempts to redistribute purchasing power by tax legislation.

I do know this: that a study of the relation between capital goods purchases and gross national product shows a different pattern in the twenties than in the thirties. In the earlier period, capital investment was at a higher level and increased more rapidly with gains in gross national production than was the case during the thirties. I cannot prove that the less favorable pattern of the later period was due entirely to adverse psychology or that this adverse psychology was induced entirely by political considerations. I do believe, however, that in the 3 to 5 years following 1948 the more favorable pattern will be resumed.

Don't Be Deceived

I have lived through some extreme business cycles during my life as a forecaster, and have made a close study of others. I have been shocked by the extent to which businessmen sometimes lose confidence in their own judgment.

Time after time I have seen highly intelligent businessmen take a position about the outlook; become discouraged if what they expected did not happen immediately; and reverse themselves at precisely the wrong time.

Don't be deceived if public psychology becomes over-optimistic—ignore it. Public sentiment is seldom so wrong as when it is unanimous. People could hardly have been more completely convinced than they were in 1929 that prosperity would be everlasting, or than they were in 1932 that depression would be permanent.

It is always the man in the middle of the herd who is worst hurt when it is stampeded by some surprise.

Conclusions

I hope I have convinced you that the recession in business activity sometime this year will be more than a dip but not a major depression.

The outlook is by no means frightening. But it is by no means so placid that you can afford to accept at its face value the optimism so glibly expressed in many year-end forecasts.

In particular, the belief that everything will be all right if we all get together and produce is a dangerous one. Everything won't be all right until prices have been brought down and potential consumption on a unit basis has been raised. Bringing prices down is bound to be painful and costly; don't expect it not to be.

Many opportunities lie ahead that cannot be fully exploited until prices and production have passed through their period of readjustment.

What the New Congress Means to the Investor

(Continued from page 263)

elections of last November, not before.

Restoring the efficiency, the productivity of Labor?—that, of course, is something, it would seem, which will almost automatically follow, surely even though perhaps slowly, the cleaning up of the situation at the top level. Taking orders to do a sloppy job from leaders plainly able to dictate to the government is one thing. Taking them from leaders shorn or their power constantly to get shorter hours and higher wages practically at will, is something else. There's no furnishment in that kind of thing and nobody knows it better than the men themselves.

Practically every prediction we have seen about business in 1947 is conditional—full of ifs—*if* proper legislation is enacted, *if* strikes are averted, if this, if that. Such predictions or forecasts or whatever you want to call them are, so it seems to us, are like predictions that it will be clear tomorrow if it doesn't rain. *Is it* going to rain?—that's the point—or, to come back to the subject under discussion, have we again got a lot of labor troubles and paralysing strikes just ahead of us? To bring the matter down to brass tacks, can or cannot Congress handle the labor situation with which it is faced?

Congress can, and, we believe, will. What—no more strikes? Oh, yes, there'll be strikes here and there, but no more of these general work stoppages in essential industries which, in 1946, cost the country a hundred million man-hours of productive labor at a time when production was the country's crying need. That, we believe, is *out*—out for the simple reason that last November the people of this country went to the polls and said that they would have no more of it, that it had to stop. Very seldom does Mr. John Q. Citizen, *en masse*, get on his hind legs and say that he wants something, but when he does he gets it. What kind of a Democracy (rule by the people) would it be if he didn't?

So, when we say that we think 1947 is going to be a big year, we are willing to lay it on the line and say it without any ands, ifs or buts. The rocks and the shoals are still ahead, as they always are and always will be, but the ship now is being run by people who know how to run it and who are not interested in experimenting to see how close they can shave by each reef and ledge without actually taking the bottom out of the boat. To this crew a beacon is a beacon and a buoy is a buoy—not the invention of some "reactionary" bent only on taking all the joy out of the ride.

This isn't going to be a bad year, this 1947. In financial history it is going to go down as the year in which, after a long, long time, things began to get back to normal.

A time when things are getting back to normal after a big disturbance is apt to be a good time to buy stocks.

What Business Faces in 1947

(Continued from page 266)

Congress is going to materially alter that fact.

Third—strikes are an inevitable aspect of a private enterprise society and it is we who have been asking for the return of the private enterprise society.

Fourth—In my view, the strikes that will occur will neither be as critical nor as extended, nor will they have the effect on the economy that has been anticipated by the vast majority of businessmen.

There are many factors which have been introduced in the labor picture within the past six months which should have gone toward the creation of business optimism. Curiously enough, these factors have run like water off the duck's back. Let me just indicate them briefly. . . .

A year ago at his time, the strike treasuries of the major CIO unions in this country were filled. Today, in almost every instance, they are empty. There is all the difference in the world, between a strike that is called on a full stomach and one called on an empty union treasury.

The second factor . . . A year ago, the major CIO union leaders were not only determined to strike — they were certain they would win. Today, with the exception of a handful of Communist-dominated unions within the CIO, the balance of the CIO labor leaders don't want the strikes. They hope they can find some convenient way of avoiding them and are fairly certain, if strikes occur, that they will lose them.

A year ago, government gave labor its big push. Today—President Truman is looking for any means that will enable him to stay far away from any strike picture.

A year ago, organized labor was riding high. Today, no union leader, with the possible exception of John L. Lewis, is willing to take the labor onus for setting into motion a wave of repressive legislation. Every labor leader contemplating strikes knows that Congress is sitting and waiting for the public provocation such as will justify a more drastic Case Bill.

Add all of these factors together and they are factors that should give reasons for management optimism.

Wage Fear

Now, let us move to the next fear — Wages. Again there are a few things that can be said about wages. With few exceptions, wages are going up, but wages are not going to go up either in the volume or in the proportion they did a year ago, or at a rate that will have any important or critical effect on production, productivity or price. The Nathan report on the wage-price-profit relationship will be the high point of demand, and in not one major instance, the actual shooting point of an important union.

Now, for what I believe has unconsciously, been the most important depressant—the fairly general fear in certain sections of business that the price of the particular product would drop and drop sharply — or the price of a particular commodity. Again let us face certain realities. Some prices are going to drop — and some prices are going to drop catastrophically. 1947 is going to be characterized by sharp declines in the prices of specific commodities, particularly of the agricultural variety. And when price slumps come, in our system, a commodity doesn't go down by a penny or two, it goes from top to bottom almost overnight. But there is all the difference in the world between "sharp" and "sporadic," even though widesspread, price breaks and recession. As a matter of fact, if it were not for the certainty of such price slumps in 1947, business would be paying higher wages than it is going to, and we would all be facing a sharper recession than even the most pessimistic of us contemplate. It is precisely because prices will break that we will be able with some kind of rough justice, to achieve a kind of stability in 1947.

Let me add, incidentally, to the occasional price breaks—some businesses are going to go bankrupt in 1947. But I must add that bankruptcy is one of the normal characteristics of a private enterprise economy. We had better examine ourselves carefully in those periods in which business failures do not exist because we are either riding on the crest of a dangerous boom or we are no longer operating in an enterprise environment.

Psychological Causes

And now for one of the theories explaining our recession thinking. I don't know to what extent this has been a part of business thought. I think it had something to do, perhaps, not a great deal, with the stock market break in September that began to usher in this wave of pessimism, talking of the occasionally expressed fears of war with the Soviet Union. Now, some of you may know my attitude toward the Soviet Union and, particularly, to the Communist Party in this country. It is far from friendly. I have earned the disfriendship of the "Daily Worker"—a disfriendship I value highly. I say that as a background for my next comment. I have had occasion to say during 1946 that the fears of war with the Soviet Union in the near or foreseeable future are fantastic. And let me now add that in 1947 even the bare existence of the fear will diminish. The irresponsible statements by some of the American "friends" of the Soviet Union have done more to contribute to those fears than any comments coming from any other single group in this country. And if Henry Wallace keeps warning us against the kind of thinking which involves the prospect of war with the Soviet Union, I would be inclined to ask Henry Wallace whether his question is not of the variety of "have you stopped beating your wife?"

International Stability

1947 will be a year in which we will begin to achieve a kind of international stability. The time for reaching and grabbing is pretty much passed. The major nations have each taken their outermost stand. We are now coming to the time for consolidation. Much of the jockeying and backing and filling is over. In 1947, a settlement of the European peace will finally be achieved. I worry a little that we may be led by the apparent peacetime atmosphere of 1947, to believe that war has been eliminated as an international institution. Because, as certain as I am that no threat of neartime war exists with any major power, let me also say, in longer range terms, that I am also certain that war has not been permanently eliminated in our international society.

Have you ever had a close shave in an automobile? At the moment when the danger is most acute; at the moment when you just missed the other guy or he just missed you, your reflexes are perfect. Your foot is steady, your hands grip the wheel accurately. You gauge your distance well and there isn't any trace of fear. But, as soon as the actual danger is passed, your foot starts trembling, and perspiration breaks out on your forehead — and then comes the interval of worry. I am afraid that the same thing has happened to us in our recent economic experience.

Post-War Pessimism

The first year after V-J Day —as I had occasion to say in a period in which I earned my reputation for pessimism — was filled with problems of such a magnitude that it seemed incredible that we could get through with most of the major difficulties. But we did. And like the case of the automobile scrape, having gotten through the period of real difficulty, the foot is now starting to shake.

The major difficulties are behind us, not ahead — not, at least, in 1947. Our own "cultural lag" as businessmen—to use a very high falutin' phrase that should probably be confined to sociology — has unfortunately not timed our fears with reality. We should have been afraid in '46 and confident in '47.

One business acquaintance recently said to me, "You know, I don't buy anything I haven't already sold." The hell — he is no enterpriser — he's a broker. And that type of brokerage doesn't take any skill or intelligence, and I think, incidentally, it is a little vulgar for him to expect profits on that kind of an operation. In a group such as this we can confess to ourselves that for five years we have lived on guaranteed business. For five years of war we were nostalgic for what we believed were the "good old days." We pleaded and begged and hammered for the return of the competitive system. Now that we have it with us again we are scared because we would like the competitive system with a guarantee. We would like the competitive struggle with no one going bankrupt. We would like collective bargaining with no danger of a wage increase and we would like the free play of labor and capital but no strikes. I don't blame anyone for wanting those characteristics but they are not part of the system we asked for. They are not the part of the thing which made us great; and they are not part of the opportunity for tomorrow.

So again I say, this is a pessimist bringing you a message of optimism. I would like to close with several words I used once before in this very room four years ago, at a Sales Executives Club meeting, "If we but want it and have the intelligence and courage to grasp it there is a great day *manana*."

Dempsey & Co. Offers Can. Admiral Stock

Dempsey & Co., Chicago, headed an invesment banking syndicate which on Jan. 14 offered 133,000 shares of common stock ($1 par) of Canadian Admiral Corp. Ltd., recently found by Admiral Corp. for manufacture and sale in Canada of radios, radio phonograph combinations, refrigerators and other household appliances. The total issue is subject to the reservation of 50,000 shares for offering to the stockholders of Admiral Corp. (Del.) at the regular offering price of $3 per share.

Proceeds of the issue will be used to purchase machinery and equipment and the balance for working and expansion capital. The total stock issue of the Canadian Admiral Corp. will amount to 265,000 shares, of which Admiral Corp. owns 132,000 shares.

Other members of the offering syndicate are: Ames, Emerich & Co.; Doyle, O'Connor & Co.; Hirsch & Co.; First Securities Co. of Chicago; White & Co.; McAlister, Smith & Pate, Inc.; Irving J. Rice & Co. and Sidlo, Simons, Roberts & Co.

Recession Inevitable With Higher Wages, Says Henry Ford, 2nd

(Continued from first page)

Other views expressed by Mr. Ford were:

That Congress should enact labor laws that will place unions under the same responsibility to the public that is now imposed on industry.

That unions should be required to make "ample" financial reports.

That the tenure of office of union leaders should be a minimum of two years.

That he knows of no existing annual wage plan that is practicable for the automobile industry.

Mr. Ford's full views, on these and other subjects, expressed in the form of written answers to submitted questions, are as follows:

Q. "What are Mr. Ford's views on the desirability of adopting a policy of granting an annual wage, welfare funds, pensions?"

A. "The Federal Government has provided, in social security, a basic level of pension protection for industrial employees. People sometimes forget that employers pay half the cost of the social security plan. Since 1937, for example, Ford Motor Co. has paid almost $30,000,000 toward the social security protection of its employees. People also tend to forget the large amounts which employers pay toward unemployment insurance—another aspect of the basic pattern for protection of employees. Since 1936, for example, Ford Motor Co. paid more than $58,000,000 into unemployment compensation funds.

"The challenge to management is to find a way of supplementing this basic pattern wherever practicable. Every company has to find its own road toward this desirable goal, because circumstances in industries differ.

"I know of no plan for guaranteeing an annual wage which can be applied to the automobile industry.

"In my opinion, the benefits sought through union welfare funds can be better achieved by a good industrial relations program.

"I am not in favor of any pension plan or other type of employee security which relieves the individual of all responsibility and incentive to provide his own security.

"In working toward greater security, we must always remember two things: (1) the cost of any pension has to be paid by someone and, unless it can be financed by productive efficiency, the cost will be borne by the American public. (2) The basis of security is a steady job at a good wage. If we are to have such jobs, the companies we work for must make profits and stay in business. Only out of earnings can come workable plans for better employee security, as well as the cost of research and improvements, better tools and methods—all the things that lead to better products at lower costs."

Q. "Does Mr. Ford think that the establishment of a Federal system of labor courts would be desirable as a means of substituting arbitration for strikes?"

A. "In private industry there is no substitute for fair-minded collective bargaining. When either labor or management resorts to Government aid, it risks the loss of its freedom."

Q. "What are Mr. Ford's views on the desirability of legislation requiring all unions to make public annual reports on their finances?"

A. "Unions should be required to make ample disclosures to their membership on finances, just as corporations are required to make full financial reports to stockholders."

Q. "What are Mr. Ford's views on a law that would require all unions to hold elections for National officers on an annual basis, and require these elections to be honest and open and aboveboard?"

A. "Of course all union elections, both National and local, should be honest, open, and aboveboard, and all safeguards to insure their integrity are desirable. Furthermore, it is as important for union members to vote in union elections as it is for citizens to vote for the people who represent them in Government.

"Holding union elections every year creates a serious fundamental problem, however. The leader of the average union is forced to spend half his time electioneering instead of working at his job. The good politician has the edge on the wise and conscientious administrator.

"One of the toughest problems management faces in working with unions—both local and National—is that union leaders often tend to make decisions and take actions with an eye on the ballot box rather than on objectives that are for the real, long-term benefit of employees.

"It seems to me that the interests of union members would be better served, and relations between union and management would be more productive, if the tenure of office of union leaders were two years—or even four years."

Q. "What are Mr. Ford's views on the kind of labor legislation that should be adopted by Congress?"

A. "Some existing statutes seem to me to excuse labor from responsibilities that are imposed on other industrial units. Labor unions have grown to tremendous power and influence. The only way they can achieve industrial statesmanship is to recognize that the public is boss and to accept with management equal responsibility under the law.

"My legislative program would, for the most part, be simply this: Make the laws governing the employer and employee fair to both sides."

Q. "Does Mr. Ford think the country faces a slump or 'recession' this year?"

A. "I see no reason why, with a little common sense on the part of everyone, we cannot work ourselves out of our difficulties. Costs have to come down. To bring them down, we need efficient and continuous maximum production with high productivity per employee—something we have not had since V-J Day.

"To my mind, the real threat in the present situation is that prices are too high. I hope it does not take a 'recession' to remedy this situation, but I am afraid it may if people believe the fallacious notion that we can pay higher wages at this time without raising prices."

Richard Ward With Wm. Pollock & Co.

Richard J. Ward has joined the sales department of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City. Mr. Ward has been serving in the U. S. Army and saw action in the Battle of the Bulge. Prior to military service he was with Harvey Fisk & Co.

Economic Outlook and Effect on Retail Distribution

(Continued from page 266)

and the need to pay off short-term loans. The magnitude of the losses was increased by the practice of pricing inventories on a first-in first-out basis. As you know, this method of pricing exaggerates profits when prices advance sharply and magnifies losses when prices break. Dr. Simon Kuznets, the leading authority on national income, has estimated the total inventory loss — manufacturing and trade—at about $11 billion during 1920 and 1921.

In other words, a decline in sales under such circumstances is accompanied by a much larger decline in profits. Data compiled for 25 leading department stores by the Conference Board may be used to indicate this relationship in the 1937-38 depression. These 25 stores had an 8.8% decline in sales in 1938; their net taxable income fell 24%.

With this background, let us turn to the present situation in retailing and attempt to apply the lessons of the past.

1. Retail sales during the holiday season reached the highest total on record. Total department store sales in 1946 were more than 25% above 1945, almost double the 1941 total, and 2⅔ times as large as prewar. However, the U. S. Department of Commerce has estimated that physical volume of sales in 1946 was about 10% greater than in 1945 and 13% greater than in 1941. Price increases accounted for the balance of the increase in total sales.

2. Despite rising costs, the National City Bank reports that during the first nine months of 1946, the profits of 21 large wholesale and retail firms was 160% greater than for the same period of 1945. Of course, this ratio does not apply to all stores. But the newspapers announce almost daily large increases in retail profits and extra dividends to stockholders. These increases in profits reflected the increase in volume and the elimination of the excess profits tax.

3. Total retail sales have been about in line with consumer incomes. However, based on past relationships, sales of non-durable goods have been relatively high, while sales of durable goods have been relatively low. The reason for this situation is well known. Consumer's durable goods have not been available in adequate supply as a result of reconversion problems, strikes, and material shortages. 1947 will witness a larger supply of durable goods, the current rate of production of which has already passed the 1941 levels. *Since no significant increase in consumers' total incomes is anticipated for 1947, the total volume of sales must be considered about at its peak. However, the composition of these sales will shift—with durable goods assuming greater relative importance and nondurable goods reversing some of the gain recorded last year. One effect will be a softening of prices for non-durable goods as the year progresses.*

Profit Margins Will Be Smaller

4. In the face of relatively unchanged or moderate declines in retail sales, profit margins will be narrower than in 1946. This is so for the following reasons:

a. Operating costs are increasing. Wages will be higher. Delivery costs are increasing. An increase in competitive selling will mean the resumption of costly services and other activities designed to secure your share of the consumers' dollar.

b. Markdowns will be large and more widespread than in any period since the start of the war.

c. During the war, losses from bad debts fell sharply as the proportion of cash sales increased. This trend has already been reversed.

d. As buyers' markets become more widespread, there will be closer pricing for many items and the ability to pass cost increases on to the consumer is becoming more and more difficult. For a growing list of items, this ability has already disappeared.

The foregoing factors cannot be offset significantly by expanding the volume of sales. The only recourse is more efficient operation. But these forces making for higher costs are so powerful that I doubt they can be fully offset. To the extent that total volume declines, the pressure on profit margins will be intensified. *Lower profit margins and smaller dollar profits seem certain for 1947.*

Inventories Are Not High

5. Inventories have been increasing steadily. However, the latest inventory data indicate that such inventories, while substantially greater than before the war, are still not high in relationship to sales. Several factors distinguish the present situation from that prevailing in 1920-21:

a. To the extent that the LIFO method of inventory valuation or the retail method have replaced the first-in first-out method, inventory losses attending price declines will be reduced.

b. There is a greater awareness among retailers of the danger of excessive inventories and hence efforts are being made to put the inventory house in order instead of speculating in inventories.

c. No price collapse similar to that in 1920-21 is imminent. While prices have risen substantially since 1939—particularly during the past few months—this rise is still less than that during and after World War I. For example, the wholesale price index for textiles had risen 229% by May, 1920; hides and leather rose to 184%. Since 1939, wholesale textile prices have risen 90%; hides and leather have risen 78%. For each group, the rise last time was more than twice as large as that since 1939. The collapse in 1920-21 was drastic—48% for textiles and 46% for hides and leather in one year. I do not foresee any such development in 1947.

Outlook for Prices

The outlook for prices may be summarized as follows: *Food prices are already past their peak with further declines probable.* The wholesale price index for food has been declining steadily and is already 10% below the October peak. This decline is now being reflected at the retail level—further price reductions may be anticipated.

This decline in food prices is important to you because it will reduce the pressure to curtail spending on the non-food sector of the housewife's budget.

Textile prices are at or close to their peak. The sharp break in raw cotton prices several weeks ago is a warning to the textile industry that inventory speculation may prove to be a very expensive proposition. In addition, cotton futures are 5 to 6 cents a pound below current spot prices. However, labor costs recently have been increased again so that the lower prices for raw cotton have not been reflected significantly in the price to the consumer. *While I anticipate no sharp break in textile prices, my guess would be that they will be lower later in the year—this will be particularly true if allowance is made for the improvement in quality which will characterize these items in the months ahead.*

For appliances and other hard goods, higher prices seem probable to the extent that new wage increases are won. However, here, too, I anticipate that before 1947 closes, prices will be declining as supplies become more plentiful in relationship to current demand.

For high-priced luxuries, which have already declined substantially in price, the worst is over. Any further declines should be moderate and in some cases, a reversal of part of the recent decline would not be surprising.

On balance, it seems to me that *the cost of living now is at about its peak and that we can anticipate a moderately lower level in the months ahead.*

No Repetition of 1920

In light of the foregoing factors, I do not believe there will be any repetition of the 1920-21 inventory losses even if business actually does decline. However, as all of you know, consumers have become increasingly discriminating. Large markdowns on ersatz goods seem inevitable—and the faster the better. Careful scrutiny of inventories and the avoidance of inventory speculation, will keep any inventory losses within modest proportions for 1947.

I have stated that the situation today is fundamentally strong and that any recession will be very moderate and temporary in nature. Let me outline briefly the reasons for this statement.

1. A high level of industrial production seems assured for 1947. Such key industries as automobiles and building will be operating at record levels. Many leading industries report a backlog of orders equivalent to 6 to 8 months' production. Many businesses will be expanding plant and equipment in order to modernize plants which were allowed to run down during the war.

2. The backlog of demand for consumers' goods remains high. We have barely made a dent in meeting this demand in 1946. The establishment of a million new homes, the increase in the number of families, and related factors, assure a record-breaking demand for the equipment required to furnish these homes. To some extent, this demand is in addition to the replacement demand built up during the war. In his Economic Report, the other day, President Truman called specific attention to the anticipated high demand for housefurnishings and appliances.

3. Consumer incomes will remain at record high levels in 1947 as a result of the high level of industrial activity previously mentioned. However, some decline in farm incomes seem probable. When, in addition to these high current incomes, consideration is given to the large volume of savings and liquid assets and the relaxation of consumer credit controls, it seems fairly clear that consumers will have the purchasing power to buy these goods. How much can be bought with this purchasing power will be determined by the changes in the level of prices. To the extent that food prices continue their recent decline, a larger proportion of the consumer's spending will be available for products distributed by non-food stores.

Increases in Individual Incomes

4. A major redistribution in incomes has taken place during the war. While the data are not precise, it may be estimated that the number of families in the income class $2,000 to $5,000 has increased from 6,000,000 before the war to about 17,000,000 at the present time. Even after allowing for the increase in prices, this major shift in income makes certain a higher level of demand than in the prewar years. It has been an important factor in the record volume achieved during the war and the transition period. It will be an important factor in 1947. As one bit of evidence as to how this change in income distribution affects demand, the following figures for spending on clothing and household textiles, etc., compiled before the war, are of some interest.

Income Groups—	
$500 -$1,000	$27.39
1,000 - 1,500	36.73
1,500 - 2,000	44.38
2,000 - 3,000	55.55
3,000 - 5,000	73.57

As against these favorable factors, it is important to mention three factors which can have a negative influence on sales during the next few months. I refer to the impending reduction in excise taxes, the labor situation, and the large price increase since June. It seems fairly certain that demand will be adversely affected for products for which excise taxes will be reduced at the end of June in accordance with the President's order declaring the period of hostilities to be terminated. Many consumers fail to realize that a complete elimination of the tax is not pending. Any number of people have said to me that if we wait until July we can save 20% on furs and other items. It is important that you make the public aware of the fact that the reduction in the tax will be 10%, not 20%. *Congress must take some immediate action in connection with excise taxes. To eliminate uncertainty, it should declare that these taxes are to be reduced at once, or they should announce a policy at this time of continuing them for at least another year. Either of those developments is to be preferred to maintaining the status quo until the end of June.*

Problem of Labor

The second disturbing factor which can affect quite severely the level of sales, particularly in some areas, is the problem of labor difficulties. New York City and Pittsburgh, to mention but two illustrations, recently have seen how labor difficulties can reduce sales. Labor is again demanding large wage increases. A repetition of strikes is probable if they insist upon having these extreme demands met. Such a development would again disrupt the flow of supplies and would act to reduce the total volume of business. This would be followed by an increase in activity once the strikes were ended. But some of the business lost would not be regained and the net effect would be to reduce total sales in 1947. *Moreover, if excessive wage increases are forced, additional price increases will be unavoidable in many important sectors of the economy. This would aggravate what is already a serious situation—namely the high level of prices.* Consumer resistance, which has become evident for some products, would become more widespread. The basic fact is that such wage increases can only help less than one third of our population, while the resulting price increase will hurt everybody.

Consumers will become increasingly discriminating as the year progresses. Already they are shying away from shoddy materials and products of inferior quality. It may be expected that this trend will be accelerated. Buying and merchandising policies are already beginning to reflect these trends. In conclusion, may I repeat that *I am moderately optimistic for the months ahead. I do not envisage a repetition of the 1920-21 depression. Some decline in business can take place. But if it does, it will be moderate in depth and temporary in nature. Its magnitude will be significantly affected by the labor situation and the manner in which that is finally settled.*

The Outlook for Stock Prices

(Continued from page 267)

There are, of course, many other phases of the economic and long-term technical picture which must be taken into account before reaching a conclusion as to the outlook for stock prices during the coming year. The more important of these factors will be discussed in detail in the following paragraphs.

PRINCIPAL BULLISH FACTORS

1. Stocks are now attractively priced in terms of earnings in prospect during the next twelve months.

Subject to year-end accounting adjustments, it is probable that earnings for the thirty stocks which make up the Dow-Jones Industrial Average will amount to approximately $12 a share for the year 1946. (This is about 5% above the estimate which we made in January of last year.) Barring prolonged labor disturbances, which appear unlikely, it seems reasonable to expect that earnings for this same group of companies will average about $14 a share during the next twelve months. This gain of 15% to 20% is anticipated largely because of the substantial improvement in the earnings outlook for such companies as American Can, American Smelting, General Electric, General Motors, Chrysler, International Harvester and Westinghouse Electric, where direct labor troubles, material shortages, and/or sales commitments at V-J Day price ceilings had the effect of keeping earnings during 1946 at definitely subnormal levels. *Gains in prospect for these companies during 1947 should more than offset the declines which are likely to be witnessed in some of the consumers' goods industries, including retail trade, liquor and motion pictures.*

2. Stocks are attractively priced on a yield basis.

The average yield on the cross section of the market represented by the Dow-Jones Industrial group is now 4.2%. This is more than 1½ times the current return on high-grade bonds. Eight, or 27% of the thirty Dow-Jones Industrial issues, give a current return of more than 5%; only six of the thirty stocks yield less than 3.5%. *Present indications are that dividend payments during 1947 will, on the average, exceed those made during 1946.* (There is little likelihood of a reduction in payments by such companies as American Can, General Motors, General Electric and Westinghouse, where operating income was below dividend requirements during the past twelve months. On the other hand, dividend increases are in prospect for many companies, including General Motors, International Nickel, Johns-Manville, National Steel, and possibly U. S. Steel.)

3. The Republican party has recaptured control of Congress, after fourteen years of the New Deal.

It may take a little time for businessmen to readjust their thinking to the fact that there has been a definite turn to the right in American political thought. However, there is little question but that the outcome of the November elections will lead to at least a gradual improvement in business confidence.

4. It is probable that tax rates will be reduced, particularly for the all-important, consumer group.

Some of the leaders of the Republican party are on record with a promise of a 20% cut in personal income taxes. Present indications are that this goal will not be realized except for the individuals in the lower brackets, who will have their take-home pay increased by perhaps a 10% reduction in tax rates, together with an increase in personal exemptions. Any tax reduction, however, will raise the purchasing power of individuals, and reduce the pressure for higher wage rates.

5. There is no danger of a credit stringency.

The total supply of money is now about $170 billion, as compared with $78 billion at the end of 1941, and $55 billion at the end of 1929. In addition to these funds, there is an unparalleled volume of liquid assets in the form of readily marketable or convertible government securities.

A significant feature of our expanded credit base is the fact that it is largely the result of the increase in government debt. For this reason, there is little danger of any substantial contraction of outstanding credit for many years to come.

In connection with this question of the supply of credit, it is interesting to note that the latest figures released by the Stock Exchange show that on Nov. 30, customers' net debit balances were approximately $150 million *below* customers' free credit balances, whereas eighteen months ago, customers' net debit balances *exceeded* free credit balances by more than $600 million.

6. We have made very little progress in satisfying the pent-up demand for semi-durable and durable goods.

During the past twelve months, we have merely scratched the surface in satisfying the demand for such goods as automobiles, housing and commercial buildings. As a matter of fact, the "consumption" or deterioration of automobiles has probably exceeded the number of new cars produced. In the construction field, government restrictions and material shortages have forced the abandonment of many projects, including the building of theatres, stores and manufacturing plants. In the meantime, obsolescence is continuing to add to potential demands.

7. We have passed the peak of one-sided labor legislation.

The results of the November elections, plus the realization by the President that labor leaders can and do go to extremes, will undoubtedly mean at least a gradual revision of the New Deal labor laws from this point on. The changed attitude of the Administration and the very threat of restrictive labor legislation will weaken the position of labor leaders, who formerly could count on governmental intervention in their behalf.

PRINCIPAL BEARISH FACTORS

1. There are many serious price maladjustments, which must be corrected.

This is probably the most unfavorable factor in the present economic picture. The extent of the price maladjustments may be seen from the following tabulation of United States Bureau of Labor Statistics data.

(1935=100)

Year	Farm Products	Raw Materials	Finished Goods
1935	100	100	100
1937	110	110	106
1939	83	91	98
1941	104	108	108
1943	156	145	122
1945	163	152	124
1946 (Nov.)	215	199	164

The over-all price rise in itself creates distortions of buying power, of course, as the incomes of many groups in our economy is relatively stable. However, the greatest significance lies in the disparity between the rise in agricultural prices and finished goods prices.

By early 1920, there were also serious maladjustments in the price structure. These maladjustments were subsequently corrected only as the result of a major deflation. A general deflation was then possible and necessary because we had reached the limits of the loaning power of our banking system, with call money rising to over 15%, and commercial interest rates increasing to 8% by July, 1920. The price inflation at that time was based largely on private or short-term borrowing, rather than on semi-permanent government loans. In view of the infinitely stronger credit base at the present time, it is not unlikely that we will see a correction of the more important price maladjustments through advances in the prices of some commodities, and moderate declines in others, rather than through a general decline of varying degrees in all prices. *The limited effect on the stock market of a recent decline of 33% in cotton prices, and the lack of a close correlation between commodity and stock prices over a long period of years, indicate that corrections of price maladjustments need not have a material effect on stock prices as long as there is no credit stringency.*

2. Our current productive capacity for certain types of goods is in excess of demand.

Although we still have very substantial shortages of many types of goods, there are signs of overproduction in other lines, including radios, women's wear, and small household appliances. This over-production is being felt particularly by small manufacturers, and there is some question as to whether even the low-cost producers of branded merchandise will be able to sell their output if general employment does not continue to hold at a very high level. Retail establishments will probably find it necessary to accept inventory losses, on hard-to-move merchandise, and sales expense will increase as buyers become price conscious. However, the conservatively managed merchandising organizations have set up substantial reserves for inventory losses,* and should continue to enjoy reasonably profitable operations, even if total dollar sales decline by as much as 20% to 25%—or to only about 50% above prewar levels.

3. Inventories of both raw materials and finished goods have been rising steadily during the past twelve months.

Inventory data, as compiled by the Department of Commerce, have been given wide publicity during recent months, with the emphasis being placed on the increase in the dollar value of inventories, rather than on the effect of rising prices on inventory values, and the necessity of maintaining a minimum relationship of inventories to sales. The principal unfavorable feature of the inventory data is the fact that in some lines it reflects an excess of production over consumption, a situation which cannot continue indefinitely.

The *trend* of inventories, particularly in relation to sales, will bear watching during the next few months. It is possible that a substantial proportion of the current inventories will be converted into producers' goods, as bottleneck items become available. (Some very large increases in inventories of semi-finished goods may be traced to delays in the procurement of scarce items.) It should be kept in mind also that under unsettled labor conditions, it is perfectly normal for manufacturers to try to maintain larger than pre-war inventories of parts purchased from others, in order to reduce the danger of work stoppages because of temporary labor disturbances in the suppliers' plants.

4. Bank loans have been rising quite sharply during the past few months.

The rise in commercial, agricultural and industrial loans of the weekly reporting banks of the Federal Reserve System in 101 cities of about 50% during the past 12 months is currently mentioned, in some circles, as an unfavorable factor. The rise to date does not appear to be dangerous, particularly since these loans still represent a relatively small portion of our credit structure. (During 1927-29, total bank loans were equal to over 68% of deposits; today, they are equal to about 20% of deposits.)

5. Some labor groups continue to show a belligerent attitude.

The strength of the labor unions, together with the radical leadership of some of the locals, is causing a certain type of tension which was only infrequently present during the pre-New Deal era. Recent demands for another round of wage increases (while insisting that industry absorb such increases), and the demands for retroactive, portal-to-portal pay, are disturbing factors from an intermediate point of view. It will probably be another two or three months before we can be certain that the labor unions will not force another serious curtailment of production during the current year, similar to the costly shutdowns of early 1946. In the meantime, however, it is likely that both Congress and the Administration will take steps to materially reduce, if not cancel, the portal-to-portal claims, and the threats of a general shutdown through strikes in key industries.

6. There is a large potential supply of new issues.

One of the contributing "causes" of the sharp decline in stock prices during the third quarter of 1946 was the indigestion in the securities markets. This in turn was the result of a substantial increase in the number of new offerings, at a time when investors were not being permitted to borrow funds with which to add to their security holdings. Many proposed offerings had to be withdrawn following the collapse of the market, and current indications are that new issues will appear in large volume if and when the market as a whole recovers to somewhere near the highs of last summer. *Unless the Federal Reserve Board restores the loan value of securities*, the general technical position of the market could again be greatly impaired by any substantial increase in new flotations. (New offerings can create a temporary strain in the investment markets, inasmuch as the proceeds from the offerings usually are not available for immediate use. This strain could be alleviated if some of the buying were accomplished with borrowed funds, in anticipation of the subsequent sale of other assets.)

7. There is a general expectation of a business recession.

The widely publicized predictions of a business recession during 1947 are having a depressing influence on the psychology of many individuals. This is due in part to the superficial analogies being drawn with 1919-1921. The general reasoning is that a decline in commodity prices will bring about substantial reductions in purchases, widespread inventory losses, and a general curtailment of operations, pending reductions in costs. It is impossible for us to follow this reasoning, except in the case of the segments of our economy which are made up by small, high-cost producers. Manufacturers of prewar, $15 quality radios, which are selling currently at $35 to $40, or distributors of prewar, $1 shirts at recent prices of $3 to $4 will undoubtedly witness a substantial curtailment of demand as the larger companies swing into full production. However, the outlook for near-capacity production (limited only by material supplies) in the steel, building, office equipment, railroad equipment, household furnishings and similar key industries, would seem to ensure a higher rate of average sales during 1947, for the types of companies whose securities are listed on the New York Stock Exchange, than these companies enjoyed as a group, during 1946.

It also might be in order to point out that a decline in industrial activity and corporate earnings does not necessarily lead to a decline in stock prices. In 1927, for example, stock prices rose almost month-by-month, from a January low of 153, to a December high of 202 in the Dow-Jones Industrial Average. In the meantime, the Cleveland Trust Company's Index of Industrial Production declined from 9% *above* normal in March to 2% *below* by November, and earnings of the 30 companies which make up the Dow-Jones Industrial group averaged only $8.72 a share in 1927, as compared with $11.39 a share in 1926. The strong technical position of the market following the early 1926 retracement of the preceeding 12 months' advance in the majority of issues, the easy-credit policy of the Federal Reserve, plus confidence in the longer-term outlook, proved to be more potent factors than even a business recession. (The fundamentals of potential demand for goods and the supply of credit are stronger today than they were in early 1927; confidence, however, has not recovered from the series of jolts it received as a result of 14 years of "economic planning".)

Summary and Conclusion

In the last analysis, the trend of stock prices is governed principally by the interrelated factors of (1) the outlook for earnings; (2) the level of comparative stock and bond yields and the outlook for dividend payments; (3) the supply of investment funds; and (4) the level and trend of that elusive, psychological factor called "confidence." On the basis of at least the first three of these four factors, the market as a whole appears to be in a buying area; an improvement in confidence may be anticipated as the attention of the public is directed to some of the more favorable aspects of the overall, economic picture.

Largely because of the divergent trends in our economy, it seems reasonable to expect a continuation of highly selective markets during the next 12 months, while we are completing our transition to a competitive economy. This could result in a broad "trading" market, perhaps not far from the range of prices experienced during 1946. Under such conditions, the more strongly situated issues may be expected to work upward, on balance, with the stocks which are overpriced in terms of their earning power under normal conditions reaching new lows during any reactionary periods in the market as a whole.

At the highs registered in the second quarter of 1946, the Dow-Jones Industrial Average was selling at 18 times earnings. In retrospect, it appears obvious that this abnormally high ratio reflected in part the temporary scarcity value of stocks because certain accounts were "frozen," either because of the change in margin requirements, or for tax reasons. On the basis of the normal *high* price-earnings ratios of about 15 to 16, and a normal *low* price-earnings ratio of about 12, we could expect a high during 1947 of somewhere between 210-220, and a low of 160-170 in the Dow-Jones Industrial Average. (The 1946 range was 212-162.)

Inasmuch as the "news" during the first quarter (earnings reports for 1946, the rate of earnings for the first quarter of 1947, Congressional action on taxes, etc.) should be very good, it seems reasonable to expect that stock prices will work upward during the two to three months immediately ahead. The trend of the market as a whole during the second and third quarters will depend in part on the extent of any first quarter advance, and the speed with which the various economic maladjustments are corrected. From a longer-term point of view, it is probable that the market averages have been establishing a base since September-October, 1946, for the next phase of the bull market which started in 1942.

*Montgomery Ward's reserves are equal to about 10% of total inventories. Sears Roebuck's reserves approximate 15% of aggregate inventories — the bulk of which are fast-moving items.

Hall Heads Div. for Legal Aid Appeal

Herbert S. Hall, partner of Morgan Stanley & Co., has accepted the Chairmanship of the

Herbert S. Hall

Investment Bankers Division of The Legal Aid Society's Appeal, it was announced by William B. Given, Jr., President of American Brake Shoe Co. Mr. Given is General Campaign Chairman and Barent Ten Eyck, of Spence, Hotchkiss, Parker & Duryee, is Co-Chairman. This year the Society is asking for $200,000 in order to continue to provide free legal advice and representation to those who would otherwise not be able to afford the services of an attorney.

Before joining Morgan Stanley & Co. Mr. Hall was affiliated with the Guaranty Co. of New York, Field, Glore & Co., and W. E. Hutton & Co.

During 1946 The Legal Aid Society, which maintains its headquarters at 11 Park Place, helped over 41,000 persons in a wide range of legal matters. Approximately 25% of the applicants for legal assistance were service men and veterans or their families.

Foundations of a Free Economy

(Continued from page 271)

But it is still very far indeed from a genuinely free economy. It is hampered at a hundred points. Some of these are of minor importance, but others, such as labor control, credit control, foreign trade control, security controls and rent controls, are of major importance. If America should finally slide into that depression which has been more widely advertised in advance than any of its predecessors, it would be ridiculous to blame it, as our British labor friends and our own radicals are already blaming it (even before it has happened), on *laissez faire* or a free economy. We are absurdly far from either. What are really threatening our stability are some of the major government controls that still encumber us.

Labor Control

Let us look at a few of these controls in turn, and see what their effect has been and still is on our economy. First, let us take labor control. It is impossible to say at this time what revisions Congress will make in our labor laws. What is most to be feared is that it may move in the direction of compulsory arbitration. The proposal of compulsory arbitration seems to have a strong appeal to a great many people just now. They see it as a remedy for preventing great, nationwide strikes in essential lines of production and in public utilities. But its adoption would be a dangerous step in the direction of a controlled and regimented economy. Compulsory arbitration assumes that a government board—or "court"—is capable of knowing just what the "fair" or "right" wage is, and of fixing it. But if a Government board could really know what the fair or right wage was in one case, it could know what it was in every case. Logic would compel us to go on to fixing all wages by governmental ukase.

The mere prospect of compulsory arbitration, even as a so-called "last resort," means in practice that it becomes the first resort. Neither unions nor managers would make a settlement if they felt that they could eventually get a better one out of a governmental board. Under such conditions free collective bargaining would be destroyed.

A real revision of our labor laws must take precisely the opposite direction. Instead of more controls, more regulation by the Federal Government, more powers for the National Labor Relations Board, Congress should provide fewer controls, less regulation, less power for the Labor Board. What chiefly needs to be done by the Federal Government is not to prohibit strikes, but simply to stop encouraging them. The Government does encourage them through the Wagner Act as at present drawn, and through the present administration of that act. Freedom must be restored to employers to discharge workers on strike and to offer permanent employment to other workers to take their place. It is not an accident that strikes have more than tripled since the passage of the Wagner Act. That and other laws have now taken practically all the risks out of striking. Why shouldn't unions strike, when they have everything to gain and practically nothing to lose? Aside from removing the special immunities from labor unions, and subjecting them to the same common law that forbids violence and coercion on the part of everyone, the solution of our labor problem lies in less Government control and not in more.

Credit Controls

The same solution applies in the case of credit control. In the last two decades, partly through the Treasury and partly through the Federal Reserve System, we have given our Government more control over interest rates and the volume of money and credit than it has ever had before. These great powers were granted the Government on the assumption that they would be used to stabilize the economy. They have been used, on the contrary, to unstabilize the economy. Here we are, in a period of unprecedented boom. Here we are, with that full employment which is the tirelessly reiterated goal of all our present-day reformers. Here we are, in the midst of a great inflation which threatens to become a much greater one. Everything that has been written by the advocates of these schemes about "managed money," or about a "compensated economy," or about a controlled economy, has declared that if ever such a period of boom and inflation arrived as we are actually having now, the Government managers, controllers and planners would long before this take the matter in hand. They would let the interest rate rise to discourage excessive borrowing. They would stop adding to the volume of money and credit, and might even reduce it, to keep the inflation from getting out of hand.

Yet instead of doing anything like this, the Treasury and Federal Reserve authorities continue to hold the interest rate at fantastically low levels. The Reserve Banks agree in advance to take all Government certificates offered at a rate of $\frac{7}{8}$ of 1%. They do this frankly "in order to prevent short-term interest rates from rising above the level the Government is now paying." Through this combination of policies the Government authorities continue to monetize the public debt. They continue to encourage speculation and unsound borrowing that would not occur under a higher interest rate. They create by their own policies a situation in which it becomes increasingly dangerous to hold down the interest rate and increasingly dangerous to allow it to rise, because of the effect on security prices and other bank assets. One of the worst aspects of a cheap money policy is the difficulty, once it has been embarked upon, not only of reversing it, or allowing it to come to a halt, but even of trying to moderate it.

Again, in the field of foreign trade and foreign lending, we have brought about, in the very midst of a boom and inflationary period, the greatest peace-time export surplus on record. We have done this by having Government agencies, through the Export-Import Bank, make huge loans to foreign countries. Through the International Monetary Fund and International Bank, we are contemplating still further huge foreign loans. Passing over the fact that a large volume of these loans is of very dubious soundness, and that we are certain to take an eventual loss on them in terms of purchasing power, this extensive foreign lending is the exact opposite of the policy that we ought to be following. It adds to our inflation at home. It adds to the boom. It must intensify the ultimate reaction.

These bad credit control policies are not mere accidents. They are not merely the result of having the wrong people in charge of Government credit control. They are practically inevitable when the management of interest rates and the credit supply are turned over to government. For no government wants to take the blame for bringing a boom to a halt. No government in power wants to be held responsible for the subsequent reaction. Therefore it can only follow the policies that tend to accentuate the boom and tend to accentuate inflation, until the latter has reached its most dangerous stage.

The remedy, once more, is the remedy of a free economy. It is not more control over the interest rate and over the volume of money and credit, but less of it. It is the fundamental duty of a government to keep the currency sound by preventing dangerous increases in its supply and by maintaining its convertibility into gold. Everywhere in the world we are so far from that ideal today that the very statement of it now sounds chimerical.

Rent Controls

As another example of the bad effect of government controls, I should like to consider the apparent outlook for an indefinite continuation of rent ceilings. Nothing could possibly be more foolish than the imposition of rent ceilings on houses and apartments not yet built. That is the most certain of all ways of preventing such houses and apartments from ever being built. It must necessarily reduce the volume of new rental construction compared with what it might otherwise have been. Yet we continue to pursue this policy. The only way in which rents can permanently be brought down is through increasing the supply of new buildings. Yet by rent ceilings on new buildings we reduce the supply of the very thing we are most eager to get.

Even the rent ceilings on existing houses and apartments have begun to bring distortions in the economy. Because of lack of profit incentives rental property is being and will be allowed to deteriorate. The nation's income payments are running at a rate of 150% greater than in the period from 1935 to 1939. But rents have gone up an average of only 9%. This means that the overwhelming majority of us are being called upon to pay a much smaller percentage of our income for rent than before the war. The natural result has been, as a census report has shown, that we are using residential floor space more wastefully. An average of only 31 persons occupied every 10 dwelling units in 1945 compared with the average of 33 in 1940. This is the real secret of the housing "shortage." It is caused primarily by rent control itself. Yet this shortage has become in turn the basis for insisting that rent control must be continued.

I have been talking of the foundations of a free economy. I have said that the foundation of a free economy is the free market. But there is something beneath this; there is a sub-foundation without which this foundation cannot itself exist. That deeper foundation is the economic education of the great masses of the people.

A Free Economy Benefits All

A free economy will not be preserved unless the reasons for it, and the advantages of it, are understood. The workers of this country, the so-called underprivileged of this country, will destroy the free economy unless they understand that this economy is not constructed in the special interests of a small wealthy group but in the interests of everybody—above all of the workers and of the so-called underprivileged themselves. Whatever plausibility the recent Nathan report may have had, it owes entirely to the profound misconceptions that exist in this country of the relative roles played by wages and profits. In the period 1929 to 1945, wages and salaries averaged 69.6% of the national income. Corporate profits averaged 4.9%. Here is a ratio of wages and salaries to corporation profits of approximately 14 to 1. And yet it is not the $14 of wages and salaries, but the $1 of corporation profits that has been the subject of constant attack. The war year 1944 was an extremely prosperous year for the corporations. Yet the Department of Commerce in estimating the distributive shares of all corporate production for 1944, found that the employees got 61% of the total, and that after deduction of other costs and taxes there was left for net profits 9%. In that year, the employees of the corporations got from them between six and seven times as much as was available for stockholders.

What do these figures mean? They mean that the primary beneficiaries of the great corporations are the great body of industrial workers. They mean that the investors, the stockholders, are merely the residuary legatees. Yet, while these are the facts, they are not at all the general public's idea or the average worker's idea of the facts. In a recent survey it was found that two-thirds of the workers interviewed actually believed that industrial companies pay out more to the stockholders and to top management than they do to the workers.

It is a fact, again, that the years of highest corporation profits are the years of highest employment and payrolls, and the years of lowest profits the years of lowest employment and payrolls. When corporations as a whole took a loss in 1931, 1932 and 1933, we suffered the greatest mass unemployment in our history. The year in which labor got the greatest *percent* of the national income it has ever had was 1932. From 1909 to 1929 the lowest profits came in 1921, the year of greatest depression and unemployment. A dozen of the 21 years from 1909 to 1929 were years of substantially full employment. It was in those years of full employment that the ratio of corporate profits to national income was highest—about 10%.

Yet the great body of labor today has been led to believe that corporate profits are actually greater than wages, that corporate profits are a deduction from wages, and that prosperity can only be maintained by reducing corporate profits. And this belief is in large part the result of the failure of business itself to tell labor the truth. It is the result of the failure of most of the great corporations to print a simplified statement of their annual reports, showing how much they paid out to job-holders as compared to how much they paid out to stockholders.

The workers are the greatest beneficiaries of a free economy. It is the duty of management to make this clear to them. It is the duty of both management and labor to understand the free economy if they are to know why they must keep it free. Only if they understand it can a free economy survive.

Free Enterprise and the Future

(Continued from first page)

order he added, "You should tell them that we oughtn't to let the pebbles in our shoes stop us from going ahead." That completed the subject as far as he was concerned, and he turned to reminisce about how he had helped us some dozen years ago to get the "shimmy" out of one of our early streamline trains.

"Ket" left me with quite a lot to think over and I began trying to figure out just how I could cover the ground he had laid out for me within the time limits of this agreeable evening. I decided to attempt it in broad brush strokes and if it is too sketchy to hang together, I guess you will be able to fill in the gaps.

Now it is true that I have traveled quite a bit during the past six years and have been to a good many countries during and since the war. War and the aftermath of war have uprooted the lives of people the world over. Conditions are so different in different areas that it is difficult to generalize. I will therefore direct my comments to Europe and particularly to Western Europe.

Drift Toward Socialization

In Western Europe people appear to recognize and accept as a fact that things can never be the same as in prewar days. Their sense of values has changed. I feel that the one greatest urge is for security. With the devastation and dislocations that have occurred, it has been necessary to expand the functions of government in order to redevelop or continue the very basis of life.

This has certainly been one of the fundamental reasons for the swing to socialization. But it is not the only cause. People crave security and people believe that this can be obtained through collective action. Thus varying degrees of nationalization of industry have been instituted and also varying degrees of control of the economy by government. The extent to which socialization is expanded and the permanence of government controls are still matters for the future to determine. These decisions will undoubtedly be largely affected by what happens in the United States in the next few years and how our international economic policies develop. I am of course speaking of those European countries where the will of the people finds free expression.

Socialization is a general term that has no clear limits. We must not lose sight of the fact that policies which are now accepted in this country by both our political parties would have been branded as socialist a generation ago. Even before the war, countries such as those of Scandinavia had adopted socialized programs without greatly affecting personal freedoms. No one can tell how far the present experiments in socialization that are now developing in all countries of Western Europe will go. This is particularly true in Britain.

The British Situation

The present program of the Labor Government in Britain is restricted to certain sectors of the economy. It is too early to judge what the further program of the Labor party itself will be when it faces the general election three and a half years from now. It is too early to judge what the desires of the majority of the British people will be. Certainly conditions within Britain itself and in the world will vitally affect these decisions of the British people. Whatever the course will be, it will be the free choice of the majority of the British people. Undoubtedly their decisions will be affected by conditions in America and American policies toward world commerce.

At the present time there is considerable thought in England that opportunity and progress should be secondary to stability. I have discussed this question with certain members of the majority party. They freely admit that their plans may not lead to rapid progress as under our system of free enterprise, but they point out the instability of our economy which has led to serious depressions. They are willing to forego a considerable degree of progress in the belief that their plans will attainn stability. No one in Britain is prepared consciously to give up personal freedoms that are traditionally British. There is a tendency, however, to accept some loss of economic opportunity to the individual in the hope of attaining collective security.

It is important for us to understand the development of opinion towards us since the end of the war. At the close of the war people were concerned that we might return, as we did after the last war, to isolationism. They earnestly hoped that the United States would take its full share of responsibility in international political settlements. They knew that our participation was essential in the development of a just peace and in the protection of the interests of all. They recognized that we were the strongest nation in the world and they had faith in the justice of our motivations. They believed that we could bring security to international affairs.

This fear that we might return to political isolationism has been relieved as a result of our strong support of the United Nations and of the principles of its Charter in connection with all settlements. The fact that the Administration's policies have received bipartisan support has given widespread reassurance. I want to take this opportunity, while speaking in Michigan, to express my personal appreciation for the major contribution made by Senator Vandenberg in bringing about bipartisan agreement on our international policies and for his tireless efforts in working with Secretary Byrnes at international conferences. Our position has been widely acclaimed by, and has brought hope to, the overwhelming majority of the people.

Situation in U. S. of World-Wide Concern

But later people became concerned over the United States for different reasons. They have seen us returning to our traditional way of life under free enterprise and they have become concerned that we would fail to attain stability in our economy—that we would go through periods of "booms and busts." What happened here in the early thirties and the effect it had on world economy is still vivid in their minds.

They realize the influence of the American economy on the world economy. They have great respect for the enormous productive ability we showed during the war. The United States has now about half of the industrial production of the world. They know that what happens in the United States will vitally affect the economy of their own countries. They recognize that it would be difficult for them to attain stability in their own countries unless there is stability in the United States. They need our help for reconstruction and they realize that world trade, which is so important to them, can only be expanded to the extent needed, only if the United States plays a leading role.

What they have heard of conditions in the United States during the past year, with our price inflation and our major strikes, has added to their concern. Many people have confidence in our strength and our ability to work out our own affairs. But even they are worried that our readjustments at home will affect our ability to have a useful influence in the development of the world economy. Their own economies are so disrupted that they are afraid of their ability to work out their own affairs without a strong and stable United States.

These concerns will in fact influence decisions regarding the retention of barriers to our trade.

Domestic Concern Regarding Future

I come home to find that, in spite of the prosperity that exists, people here are also concerned about the future. The reconversion from war to peacetime production has been, with all its difficulties, a tremendous achievement. With 57 million people gainfully employed and with almost wartime volume of production, we are enjoying a higher standard of living than ever before. But still there is wide uncertainty.

There are, of course, certain obvious conditions which lead to concern. The management-labor difficulties create uncertainty. There is the question of what will happen when demand for consumer goods pent up by the war is met.

I cannot help but feel, however, that there is something deeper. The war has affected us as well as the peoples of other countries. Here, as abroad, there is an increased desire for security. Clearly, we are unwilling to make the choice which is now being made in Europe, that is, to trade opportunity for security. I feel that it is of the utmost significance that the American people in the demand for security have no intention of giving up their system of free enterprise.

Confidence in free enterprise has been shown by insistence that government withdraw rapidly from wartime controls. We want both opportunity and security, and believe that both can be attained.

We have developed remarkable productive ability. In these brilliant accomplishments the automobile industry has made a leading contribution. This has served us well in peace and war. Nevertheless, it is a fact that in the past we have not attained a reasonable degree of stability. With our tremendous productive ability, we should be able to handle our affairs in such a manner as to give a reasonable degree of security to all our people while retaining our historic progressiveness.

The Challenge of Free Enterprise

It is clearly the challenge to the present generation to develop within the framework of our free society and our system of free enterprise a stable economy that gives both security and a high expanding standard of living to all of our people. We are the only country that now has the ability and the resources to accomplish this. The engineering profession has made possible our productive ability. The scientific knowledge and engineering techniques developed during the war add greatly to our potentialities. But science and engineering directed only to production will not solve our social problems. In the past we have seen production checked by inability to find markets in spite of the existence of great need. Surely if we apply the genius that has created our productive capacities also to the goal of economic stability and of insuring security to all of our people, much can be accomplished.

If we are successful in attaining stability with free enterprise, our success will have great influence on the course of events in other countries. Our success would give encouragement. It would be an example to people of other countries to retain the maximum of the values of free enterprise and personal freedoms.

We can not, of course, eliminate all fluctuations, but we can avoid serious depressions. We can do much to reduce the marked swings in business activity which have characterized our history. We can in any event give security to the individual against personal economic catastrophe. Our social security programs should be expanded and be made more generally and fairly effective.

As a result of our past experience our government has greater knowledge and power to exercise an influence in preventing wide swings in business activity. Among the tools in the government kit are fiscal and monetary policies—the power to set tax rates, prevent excesses of credit expansion and contraction, and determine the volume and timing of government expenditures for needed public works. Social security programs also exert a stabilizing influence on business activity. Inflationary and deflationary pressures can be substantially diminished if these tools are used wisely and at the proper time.

But government cannot and should not attempt to do it all. If we are to attain stability in a free society, individual groups must share responsibility and play their part through greater knowledge of their own enlightened self-interest. Certainly management can continue to work toward the regularization of employment in seasonal industries. Before the war the automobile industry made an important contribution toward regularization of employment by arranging to hold its annual show in the autumn. More thought in all industries should be given to the regularization of seasonal employment.

The automobile industry has had its brilliant success in the past because of its urge to increase volume by reducing prices. I recognize the difficulties the automobile industry now faces with increased costs and I do not feel that I need impress on you the urgent necessity for holding prices to a minimum. The demand for cars is great and it would only be the inability of the consumer to buy that would limit demand.

Urges Price and Wage Restraints

Industry is asking labor to show restraint in demands for increased wages, in order that increased production may assist in the adjustment of prices and thus increase real wages. Industry can justify this position, only if it shows equal restraint in its pricing policies.

Business and labor, however, cannot do it all. During the past six months about 70% of the increase in the cost-of-living index has come from the increase in prices of food and agricultural commodities. No doubt when the emergency pressure of world demand for these products declines prices will come down. The farmer is entitled to protection in the price of his product, but it is to be hoped that this support will not be carried beyond a reasonable basis in keeping farm prices in balance with those of industry.

There is increasing understanding of the interdependence of each section of our economy and I do not feel that it is an idle hope that enlightened self-interest will affect the actions of each group in contributing to stability and a proper balance in the economy.

U. S. Responsibility in World Economy

But our economic problems are not of domestic concern alone. We have come to realize that we are not isolated from the world. We are a part, and a very great part, of the world economy. The manner in which we participate in world commerce will vitally affect other countries and in turn ourselves.

Other countries today have great need for many products of industry and agriculture which can only be obtained in the United States. As rehabilitation and reconstruction progress, emergency pressures will diminish, but the need for American products will still be great. With our tremendous productive capacity it will be our desire to expand as far as practicable our markets abroad. Thus, for our own welfare and for world prosperity, we have great interest in the expansion of world commerce.

Our ability to carry out these objectives depends upon one factor—the expansion of our use of goods and services of other countries. We can, and I believe we should for a time, pursue a courageous lending policy, through both private and public agencies, to assist other countries to buy American products—to get on their feet and to promote their long-range development. During this period, however, unless we increase our use of foreign goods and services, foreign countries will not have the ability to continue to buy from us and to repay our loans.

The American proposals for the International Trade Organization are designed to break down trade barriers, as far as possible, in all countries and to encourage multilateral commerce. We must do our part to make this a success by our own import policies through the proposed reciprocal tariff agreements. Unless we encourage and expand our use of goods and services of other countries, our whole foreign economic program will collapse.

The automobile industry is one of our great export industries. Markets for American automobiles abroad depend only upon the ability of other countries to buy. I hope, therefore, that the automobile industry will give special consideration and support to government policies to further sound import programs. The Department of Commerce is expanding its activities to include assistance to American business wishing to import foreign products. We can add to the wealth and well-being of America by taking in exchange for our exports those products of foreign countries which we can profitably use without interference with domestic production. American capital has in the past invested abroad to develop sources of raw materials which we require. Government should encourage private investment abroad for these purposes. The requirements of the automobile industry have been one of the important causes for many of these developments abroad. Insurance of raw material supply is of increased importance because of our reduced national resources and our expanded economy.

Aside from our own domestic welfare we have an even broader interest in the development of world commerce. Peace and prosperity have not been coupled as a euphonious alliteration. There is and indivisible link between peace and prosperity. Our international political policies designed to secure peace can be successful only if they are based on sound and farsighted foreign economic policies. A prosperous world is the best insurance of a peaceful world.

With the great power of the American economy we have a unique opportunity in history, in our own enlightened self-interest to help other nations to help themselves. The world desires not only American goods but American engineering and American techniques. Industrialization of backward countries has increased their participation in world trade and enlarged markets for American exports.

American free enterprise has a great opportunity to take leadership in expanding world prosperity. We have tremendous opportunities at home and abroad. America has always seized its opportunities even though the road has not been easy. Let's not forget that there have always been pebbles in our shoes. As Kettering says, "Let's not let them stop us from going ahead!"

Mackey Predicts High Coffee Consumption

Coffee consumption in the United States in 1946 will approximate the all time high of 20,555,000 bags reached in the previous year, Mr. C. A. Mackey, President of the New York Coffee and Sugar Exchange, Inc., pointed out in his annual message to the membership on Jan. 9. This increased volume of business is expected to find reflection in expanded use of the coffee futures market during the coming year. Since postwar trading was resumed on Oct. 21, the futures market has shown substantial activity.

Mr. Mackey was hopeful for early resumption of trading in the sugar futures market. He cited a recent statement by Clinton P. Anderson, Secretary of Agriculture, that "the reestablishment of the sugar futures market for trading in 1948 and later deliveries is one of our objectives."

In anticipation of early renewal of sugar futures trading, Mr. Mackey reported that the Exchange already has created a new raw sugar contract to be known as the No. 5 Contract. "This contract will greatly enhance the use of the Exchange," he said, "by all members of the sugar industry."

Mr. Mackey reported that the Board of Managers voted to continue its membership in the National Association of Commodity Exchanges and Allied Trades, Inc. during 1947. This Association, he explained, has played an active part in the elimination of many of the controls on commodities, particularly grains, ". . . constructive work done in one commodity is helpful to all commodities hampered by regimentation," he said.

With the resumption of trading in coffee, memberships in the Exchange advanced in 1946 from a low of $4,000 to a high of $6,000. Financially the Exchange's position has been improved considerably by the active real estate market, capital account having been increased to a total of $1,077,000.

Bilbo Leaves Senate Fight Temporarily

A compromise was the result of the efforts to bar Senator Theodore G. Bilbo (D.-Miss.) from sitting in the Republican-controlled 80th Congress, which followed a report of the Senate War-Investigating Committee, alleging, it is stated, that Senator Bilbo misused his office for personal gain in dealing with war contractors. The disagreement between Republican Senators and Southern Democratic supporters of Mr. Bilbo, which threatened to delay organization of the Senate, was temporarily disposed of by withdrawal from Washington of the Mississippi Senator, who left for New Orleans to undergo a throat operation, according to Washington Associated Press advices on Jan. 5.

However, 69-year-old Senator Bilbo assured his foes that if he lived he would "be back here with my fighting clothes on," the same advices continued. Senator Homer Ferguson (R.-Mich.), a leader of the fight to bar him, is reported to have commented: "I certainly hope Senator Bilbo lives."

Senator Robert A. Taft (R.-Ohio), Chairman of his party's Steering Committee, told reporters no further action will be taken until Senator Bilbo can return and a hearing can be held on whether the charges warrant permanent and final ouster.

Britain Draws on U.S. Loan

Great Britain drew upon her $3,750,000,000 loan from this country for another $200,000,000 in spending funds as the year began, Treasury reports showed on Jan. 6, it was noted by the Associated Press accounts from Washington, which also stated:

"This draft, paid by the Treasury on Jan. 2, brought Britain's total use of the credit to $800,000,000.

"The $200,000,000 also sent this country's deficit on the first operating day of 1947 to $230,915,549 for the fiscal year, which ends next June 30. The British are expected to draw another $400,000,000 or $500,000,000 before the end of June."

SEC and a Free Securities Market

(Continued from page 269)

months. But I have picked up some thoughts that may be of interest to you.

Background of Securities Laws

Even at the danger of being too elementary, I think it is not inappropriate at this particular time for us to consider briefly the background of the Federal securities laws. You know that the Congress has declared that securities transactions have to be regulated to protect our national economy and to insure the maintenance of fair and honest markets in securities. This is now an accepted axiom in our economic thinking. While we may differ as to methods, I think it is safe to say that no one with any interest in the public welfare, or the securities industry, wants to go back to the bucket shop, the boiler room or what we in Kansas used to call the "pencil bandits."

If the investor is to put his savings into securities, he must be assured that reasonable standards of honesty and disclosure will be adhered to by those who are offering securities, and by those whose business it is to sell them. He must also know that once he has bought them, his investment will not be jeopardized by fraudulent or manipulative practices in the securities markets. These are objectives of the Federal securities statutes.

The purposes of the Securities Act of 1933 are to provide full disclosure of the character of securities sold in interstate commerce and through the mails, and to prevent frauds in their sale. Disclosure is obtained through filing with the Commission registration statements which contain pertinent information concerning the issuer, the securities being offered, the use of the proceeds, the financial condition of the company, and other data necessary to arrive at an informed judgment whether to buy the securities. The Act requires the delivery of a prospectus to investors to whom the securities are offered or sold. This prospectus must contain the important facts in the registration statement, including balance sheets and earnings statements.

SEC Does Not Approve Securities

It was never intended that the agency which administered the Securities Act should have power to substitute its judgment for the judgment of issuers, underwriters or dealers in determining whether an issue should be offered or sold. The Presidential message recommending the legislation to the Congress said that the Federal Government should not take any action which might be construed as approving or guaranteeing that newly-issued securities are sound in the sense that their value will be maintained or that they will earn a profit. The Commission does not approve or disapprove securities. And, let me assure you that no one at the Commission wants the power to decide what securities may be offered or sold, or at what price.

The purposes of the Securities Exchange Act of 1934 are to prevent unfair, manipulative, and fraudulent practices in connection with trading in outstanding securities, to prevent the excessive use of credit in security trading, and to provide truthful and adequate information concerning securities listed and traded on national securities exchanges. This Act fills many of the gaps left by the Securities Act, and makes it possible to control practices which, unchecked, could devastate the securities markets.

Here again, the right of supervision given to the Commission by the Securities Exchange Act does not include the power to dictate business policy. Neither the Securities Act nor the Securities Exchange Act empowers the Commission to substitute its judgment for that of the industry. No one at the Commission wants this power.

Seeks No Further Powers

It is my hope that the maintenance of the principles of full disclosure, and the attendant duties devolving upon exchanges, brokers, and dealers, will be sufficient to keep the securities business upon the high plane where it is; where it belongs, and where it must remain. I believe that adherence to these principles will achieve this purpose. All in all, these laws make possible the fulfillment of the aims of the legitimate dealer. I am quite sure that the Securities and Exchange Commission, and the members of the staff, feel exactly as I do. None of us wants to go any further than is necessary. All of us are anxious to see the success of the present scheme of things, with such changes as are inevitably required by experience and are in keeping with its spirit and purpose.

Under the Securities Act any security can be offered for sale if it is effectively registered and the whole truth is told about it. But filing a registration statement with the Commission does not get the information to prospective investors, or even to securities dealers—as many of you have had an opportunity to learn. Not even the provisions which require the delivery of a prospectus assure purchasers that they will get the information before they buy. As you well know, it is common practice, after a registration statement is effective, to take the order by telephone and then deliver the prospectus with the confirmation.

After a registration statement is filed under the Securities Act you know there is a "waiting" or "cooling" period before it becomes effective. It was originally 20 days. This was to allow time for public scrutiny of the information in the statement. While interested persons may come to the Commission and examine the statement, or even get copies of it at nominal cost, it is obvious that this is not the practical answer to making the information generally available. Other ways of disseminating the information during the "waiting" or "cooling" period had to be found.

The "Red-Herring" Prospectus

Shortly after the Securities Act was passed, inquiries were made about how far underwriters could go in circulating information about a proposed offering of securities before the registration statement was effective. Before the Act had reached its first birthday, the opinion was expressed that underwriters could circulate the offering circular itself if it were clearly marked to indicate that no offers to buy would be accepted until the registration statement became effective. This marking, in red ink, across the proposed form of prospectus gave it its name of "red-herring." The practice of using red-herring prospectuses under the Act developed as a result of this opinion.

In 1940 the Act was amended to give the Commission power to accelerate the effectiveness of registration statements, after considering, among other things, the adequacy of the information respecting the issuer previously available to the public, the public interest, and the protection of investors. You all know that the Commission follows a liberal policy in accelerating the effectiveness of registration statements to permit the prompt offering of securities after omitted information has been supplied, and necessary corrections have been made in the registration statement. This policy represents a practical compromise to reconcile the interests of investors, issuing companies, and underwriters.

It came to the attention of the Commission in 1945 that, in some instances, red-herrings were being circulated which were so incomplete that the deficiencies in them rendered them misleading. To correct this evil the Commission resorted to the policy of refusing acceleration of the effectiveness of registration statements, where materially deficient and misleading red-herrings were circulated, until the Commission received satisfactory assurance that corrected information had been sent to the persons who got the red-herring. Some underwriters have blamed the dwindling distribution of red-herrings on the adoption of this policy. They say they are reluctant to circulate red-herrings because they may be considered materially misleading, and thus delay acceleration of the effectiveness of their registration statements. But in all fairness it must be remembered that underwriters would never have such a problem if they fulfilled their primary obligation and filed well considered, accurate, and complete statements in the first instance.

We at the Commission have been working to find effective methods to accomplish the dissemination of information in Securities Act registration statements during the "waiting" period. I am sure that you are familiar, at least in a general way, with this effort. Many of you have sent in your comments and suggestions on various proposals which we submitted in the last few months. I can say that we found your help very valuable.

The problem was a difficult one. An effective solution must encourage the dissemination of such information without fostering the solicitation of offers to buy the securities before the registration statement is effective. It must set a practical standard of what information can be circulated by persons interested in the eventual sale of the securities; and they must be assured that circulation of such information will not be construed as an attempt to dispose of the security before the registration statement is effective.

Rule 131

On Dec. 6, 1946, after studying the problem intensively and integrating the many valuable suggestions made, the Commission adopted Rule 131. This Rule provides that sending or giving any person, before the registration statement becomes effective, a copy of the proposed form of prospectus filed as part of the registration statement, shall not in itself constitute an attempt to dispose of the security in violation of the Act, if it contains a specified red-herring legend and substantially the information required by the Act and the rules and regulations. The offering price and certain other information dependent upon the offering price may be omitted. The copies containing the legend and information necessary may be sent out as soon as the registration statement is filed.

You will remember that under Section 8 (a) of the Securities Act the Commission, in determining whether to accelerate the effectiveness of a registration statement, is required to consider whether adequate information respecting the issuer has been available to the public. In considering requests for acceleration it will consider whether adequate dissemination has been made of copies of the proposed form of prospectus as permitted by the new Rule. What constitutes adequate dissemination must remain a question of fact in each case. However, it would involve as a minimum the distribution of copies, a reasonable time in advance of the anticipated effective date, to all underwriters and dealers who may be invited to participate in the distribution of the security. Any registraint or uderwriter who wants to be sure that an adequate distribution of copies will be made, may, before distributing them, obtain an opinion from the Commission's staff as to the adequacy of the proposed distribution. Of course, the granting of acceleration will not be conditioned upon the distribution of copies in violation of Blue Sky Laws.

To be sure that the prospective purchaser does not make his decision to buy on the basis of misleading information, the Commission must retain the policy of refusing acceleration of effectiveness, where materially misleading information has been circulated, until corrected information has been sent to those persons receiving the misleading information. This will be no hazard, however, to issuers and underwriters who prepare their registration statements carefully.

The Rule was adopted for a trial period of six months. During this time its operation will be closely studied to determine whether it is accomplishing its purpose. You may be sure that if practical experience indicates that changes in the Rule are necessary to make it effective, the Commission will be ready and willing to make such changes.

The Commission feels sure that dealers will welcome this attempt to see that they receive copies of a form of prospectus containing substantially complete information a reasonable period of time before they may be asked to participate in the distrbution of the security.

Getting Information to Investor

This brings us to the very important—perhaps I should say "all-important"—point of the relationship between the dealer and his customer, the investor. All of us know that if the objective of the Securities Act is to be attained, the information in a statutory prospectus should reach the prospective purchaser so that he can make an informed judgment as to whether he wants to buy. When I say *reach* him I mean more, of course, than simply getting it into his *hands*.

The dealer is frequently his financial confidant and guide. When the investor is wondering "is this security for me?" it is the dealer to whom he often turns for help in understanding the extensive data found in all prospectuses; to precipitate, from the many statements and figures, the answers to his questions. It may mean taking the prospectus page by page and explaining and simplifying whenever possible. The information he needs is nearly always there.

Issuers and underwriters, and their counsel, should try to state the facts in a prospectus so simply, and so concisely, that everybody can read and understand it without assistance. We, at the Commission, are doing what we can to make this possible. We have undertaken a program to simplify our forms. Our staff is always available for conferences with issuers and underwriters, before and after registration statements have been filed. We have repeatedly urged the use of a concise and readable document. Unfortunately, I'm afraid our efforts in this respect have not been generally successful. In practice, as you know, the prospectus is too frequently an almost complete copy of the text of the registration statement.

In the meantime, the investor frequently relies on the dealer's assistance. It is part of the dealer's professional responsibility to bring light and understanding to his customers whenever he can. It is more than just a responsibility; it is also an opportunity which, if fulfilled, will pay dividends. The customer expects more from his securities dealer than from the corner grocer. He wants more than the merchandise. He wants to feel that his dealer has taken the time to see his problem, to understand his questions, and to show him available information which will answer these questions. He expects from his dealer those intangible but important values which together constitute the service rendered by a professional.

It would be easier to ignore the fulfillment of these expectations if the customer bought merchandise which he consumed, or if he were a transient whom the dealer rarely expected to see again. But we know that the security is not consumed. Whether it appreciates or depreciates in value the customer always remember where he bought it.

Dealer Must Earn Customer's Good Will

If the dealer's business is to have that solid foundation of good will on which every successful business rests, it must be earned by patient and intelligent assistance; and the customer's trust and confidence must be justified.

You in the industry are being constantly reminded by the exigencies of day to day business, that the success of the securities industry depends, in great part, on public confidence. The minimum standards for maintaining this confidence are contained in the principles of full disclosure and honest trading embodied in the Federal statutes. They make it possible for the legitimate dealer to build a successful business and at the same time render service to the investor. These are fundamental requirements. The standards embodied in the statutes are the least that any of you would want to follow.

The legislative foundation on which these standards rest cannot be whittled away if the industry is to remain firm and strong and if we are to maintain a free market in America. There must always be an effective legislative sanction to make sure that the investor and the conforming majority in the industry are protected from the renegade few.

You may be certain that we at the SEC recognize the importance of integrating our effort with years. We have a long-established practice of consulting with those who have an interest in the effective functioning of the Acts which we administer, and we always welcome your suggestions and comments on matters related in any way to the work of the Commission. Fortunately, nearly all underwriters, dealers, and brokers, realize that cooperation is the most effective way to achieve our common goals.

In what I have said this evening, I hope that I haven't given the impression that we think that the millennium has arrived, and that there is nothing left to be done to have a Utopia in financial circles. Of course, we at the SEC have no such illusions. We recognize that there are many particulars in which rules, regulations and practices can perhaps be improved. To that end, we constantly want to work. As I have mentioned, we have made changes within the last few weeks which we believe will be helpful. Just a week ago today we took what we hope is a long step forward in simplification of registration forms.

Suggested Changes in SEC Statutes

It has been suggested that changes should be made in some of the provisions of the statutes. Some of these suggestions have come from the industry while others have originated with us at the Commission. Day to day experience has taught us all many things about dealing with the situations which arise.

This much I think I can properly say—and I want to say it with all of the sincerity and conviction I can muster. The SEC is anxious to cooperate as fully as possible with the securities industry in an honest effort to canvas the situation and to reach solutions which will more fully accomplish the laudable purpose of the Securities Act and the Securities Exchange Act, and at the same time will make compliance with them as practicable and workable as can be done. I am happy to add that we have found those of the industry from whom we have heard, evidencing a desire to cooperate in that same spirit. That certainly seems to us to be a most auspicious omen, and from it should come a real measure of progress.

A free market is one of the most important aspects of our system of economy. If it is to remain free, two indispensable conditions must exist. First, investors and those who counsel them must continue to be able to obtain sufficient information to make an adequate appraisal of securities. Second, investors must be given assurance that the securities markets will not be manipulated to the detriment of the investor and to the illegitimate profit of a few unprincipled individuals.

The job of maintaining a free and honest market, in which the investor gets all the facts, will require the best efforts of all of us. Let us all work together to perform that task.

Washington and You

(Continued from page 269)

and commerce a realistic prevue of what this country may expect from the Administration's international collectivism program. That's what Federal planners have told the President. Here's why they say so: (1) the International Bank and Monetary Fund should be in full opreation; (2) the nuclear trade agreements should be completed and functioning; (3) the International Trade Organization should be a going proposition; (4) the full effects of the British loan should begin to be felt.

* * *

Meanwhile, the International Bank lacks motivating power. An acceptable man who will accept the Bank's presidency can't be found. Pending ascension of a President, the Bank can't do much about floating securities. In less oblique words, this world lender is temporarily stymied.

* * *

Federal Reserve Board Governors will be summoned before Congress shortly to justify continuation of consumer credit control and the ban on margin trading. It seems Chairman Marriner S. Eccles has quelled those Governors who sought to have restrictions modified and congressional intervention avoided. Eccles frankly wants congressional action. Now he'll get it—from the House Banking Committee.

* * *

Public power agitators are howling over a bill by Republican Representative Dirkson proposing to centralize all Federal power activities. It would consolidate the Tennessee Valley Authority, Federal Power Commission, Bonneville Power Administration, and Rural Electrification Administration in a new Office of Power Administration; would transfer to that office all government operations relating to power production and marketing and to loans for same, as well as all functions of the SEC touching regulation of electric utility companies. The proposition hasn't a chinaman's chance but has needled the public ownership coterie into oral agony.

* * *

Commercial airline troubles are to be viewed through the congressional fluoroscope. Investigations by the Interstate and Foreign Commerce Committees of both Senate and House are promised. The probe will start with a general clinic on Civil Aeronautics Board procedure, will broaden to cover rates, duplicating facilities and accounting practices of air carriers.

* * *

Industrial decentralization feud has been cranked up again by President Truman's hint to Congress that he would welcome legislation designed to distribute manufacturing facilities more equitably throughout the nation. New Deal reform efforts in that direction were repeatedly blocked before the war. President Truman may now be content with his hint. If not, a regional row crossing party lines is inevitable.

* * *

Synchronized census of manufacturers and distribution next year covering 1947 is likely to be OK'd by Congress. Existing law contemplates manufactures census only. Budget carries $5,000,000 for this operation. Outlook is that Congress will authorize business census as well and thereafter appropriate necessary money. Republicans last year fought business census authorization on grounds distorted war conditions made it worthless.

* * *

Withering of small business under 1947 competition is anticipated with alarm by government economists. They fear unprecedented rash of failures, foresee thousands of veterans failing in their small business ventures. Major causative factor is seen as withholding or withdrawing of credit by banks. In this connection, President Truman feels the Government "should study ways and means of facilitating the availability of long-term credit and equity capital to small and promising business enterprises."

* * *

Limited railroad immunity from antitrust laws in the fixing of freight rates is to be pressed in Congress. Such legislation was voted last session by the House, died in the Senate where it was crushed in the last minute rush. It has been reintroduced and will be shoved by sponsors. The move revives the ruction between North and South over "discriminatory" rates.

* * *

President Truman wants Congress to amend Section 7 of the Clayton Act so as to prohibit mergers by the acquisition of assets as well as by acquisition of stock control. Congress will give the request serious consideration, may approve it.

* * *

Antitrust Division of Justice Department would have its appropriation boosted from $1,900,000 for fiscal year 1947 to $2,500,000 for fiscal 1948 by Truman's budget. If allowed the increase, the division will concentrate its efforts on "major violations" of antitrust laws and on recovering excessive wartime charges against the United States. There's a good chance Congress won't vote the extra money.

* * *

Justice Department men support their cry against bigness by pointing to manufacturing expansion during the war. They say that (1) top 250 manufacturing corporations operated 79% of the new industrial facilities financed with public funds in World War II, and that (2) of those facilities sold thus far as surplus, 70% have been bought by some 250 top corporations.

* * *

Federal Trade Commission wants $3,776,000 in coming fiscal year, or 40% more than its current appropriation, for promotion and regulation of trade and industry. President Truman has sanctioned the boost. Congress probably will deny it. Bulk of the increase would be used by FTC to push reform on an industry-wide scope rather than on individual establishment basis.

* * *

FTC will collaborate with SEC in a coordinated Federal program for collection and compilation of business financial statistics if Congress OK's $275,000 the White House has asked for FTC. Probably Congress will say no.

* * *

The Commerce Department may be reincarnated as an agency to assist business. Under a succession of New Deal Commerce Secretaries it was progressively distorted into a political instrument. There's now a good chance the agency may revert to its philosophy of business service as developed by former President Hoover.

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"Your Federal Income Tax," 1946 edition, has been published by the Bureau of Internal Revenue and can be obtained at the nearest Revenue Collector's office. It's a 106 page document setting forth official opinion on what and who are taxable. It's free.

* * *

Export specifications covering foods, drugs and cosmetics may be lifted to a parallel with domestic standards as a result of charges in a national magazine that Latin America has become the dumping ground for "quack remedies" produced in the United States. This can be achieved by a simple amendment to the Federal Food, Drug and Cosmetic Act.

C. E. Unterberg Offers Stern Textiles Stock

C. E. Unterberg & Co. today is offering 37,500 shares of $1 par value common stock of Stern & Stern Textiles, Inc., New York. The stock is priced to the public at $8 per share.

Proceeds from this financing will be used to restore to the company's treasury part of the funds expended to retire 5,000 outstanding shares of $100 par value 5% preferred stock on June 26, 1943. These proceeds will be available for general corporate purposes.

The outstanding capitalization of the company, upon completion of this financing, will consist of 30,000 shares of 4½% cumulative preferred stock, par value $50 per share, and 427,500 shares of $1 par value common stock.

The company was incorporated in New York in 1924, as successor to a partnership established in 1889. On Jan. 3, 1947, there was effected a merger of the company's three former wholly-owned manufacturing subsidiaries, Stewart Silk Corp., Huguet Fabrics Corp. and Canisteo Corp., into the company.

Two With White, Weld In Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Henry C. Brummel and Arthur W. Page, Jr. have become conected with the Chicago office of White, Weld & Co., 231 South La Salle Street. Mr. Brummel in the past was with Wadden & Co. Mr. Page was with the firm in the New York office.

Truman "Short-Range" Economic Program

(Continued from page 272)

be no uniform rule relating to wages. Both price adjustments and wage adjustments are necessary in the ensuing months. Wage adjustments, like price adjustments, need to be made with a discriminating regard for individual situations throughout the economy.

The government can help in several ways to maintain a balance between prices and wages. Procurement agencies will avoid policies that stimulate price increases or prevent reductions. Disposal of surplus goods will be speeded. The antitrust laws will be applied vigorously to prevent and eliminate restrictive practices and pricing abuses.

The Congress should take steps at once to extend rent control beyond next June. A large increase in rents would substantially reduce consumer purchasing power.

On the wage side, the Congress should extend the coverage of the Fair Labor Standards Act to classes of workers in interstate commerce now excluded, and should raise the minimum wage in view of the substantial rise in the cost of living and in the national production since it was enacted.

2. Social Security

I shall treat generally of the social-security program in a subsequent section dealing with long-range programs and recommendations. In view of current economic trends, however, certain action is desirable at once. I urge the Congress to take immediate steps to revise benefit payments under the social-security system. The Congress has already authorized a temporary increase in public assistance benefits. This legislation expires by the end of this year and new legislative action is required. Benefits under the old-age and survivors' insurance system should also be adjusted. These measures are necessary to alleviate real hardship which has been aggravated by increases in the cost of living. Beyond that, adequate social-security benefit payments provide a desirable support to mass purchasing power.

3. Housing

More than a million additional housing units need to be started in 1947. This goal will not only furnish badly needed shelter to our veterans and other citizens, but will result in a sizable contribution of the housing industry toward employment and purchasing power. At the lowest cost levels foreseeable this year, one million additional housing units will approximate an investment of $6,000,000,000 during 1947.

As shortages of materials and manpower disappear, the main threat to a high volume of housing is the high level of current housing prices relative to the volume of consumer income.

To reduce the cost of housing on all fronts and by all desirable methods, we must start as promptly as possible a long-range housing program. Such a program can stimulate large investments in land acquisition and preparation for development. It can start the flow of new types of private investment into housing ventures. It can bring the traditional home-building industry into rental housing as well.

No subject has received more protracted study by the Congress leading to more uniform conclusions. Nonpartisan housing legislation was introduced in the 79th Congress and passed the Senate by a large majority.

On several occasions, I have urged enactment of this program which was developed within the Congress itself. I again urge enactment of this program at the earliest possible moment.

4. Taxation

Expert and lay opinion is in agreement on the rule of sound public finance that calls for a surplus in government revenues over expenditures while employment is high and the total of income is large. In the present economic situation, it is clear that it would be unsound fiscal policy to reduce taxes.

Everyone is agreed that the tax burden is great and should be reduced as soon as possible. When reductions come, it will be important that they be fairly and equitably distributed, that they contribute to the maintenance of purchasing power by reducing the burden on the mass of consumers, and that they help provide the work and business incentives essential for a high level of production. There are various ways of accomplishing these objectives of tax policy and of making an equitable reduction of taxes fairly distributed over all levels of income. These problems should receive careful study so that we are dequately prepared for wise action when the time comes.

5. Labor-Management Relations

I have transmitted to the Congress, in my State of the Union Message, recommendations covering the broad field of labor-management relations, and need not dwell further on them here.

It is important, however, to emphasize once more, in relation to our goal of a permanent high-production, high-employment economy, the key responsibility that both management and labor have in helping to achieve this goal. Sound collective bargaining is essential.

In order to build an enduring prosperity for ourselves and our children, we must and we shall solve the problem of making necessary adjustments in wages and working conditions without round after round of crippling and futile halts in production.

GOP Opposes Compulsory Health Plan

Congress has indicated its opposition to any medical care program which includes compulsory health insurance, Washington advices from the Associated Press indicated on Jan. 7. President Truman, in his State of the Union message, presumably referred to the provisions of the Wagner-Murray-Dingell bill, which was shelved by the last Congress, when he said:

"I urge the Congress to complete the work begun last year and to enact the most important recommendation of the (health) program—to provide adequate medical care to all who need it, not as a charity but on the basis of payments made by the beneficiaries of the program."

Senator Taft of Ohio, Chairman of the Senate Republican Steering Committee, had declared even before the President's speech that "we are strenuously opposed to the Wagner-Murray-Dingell bill which attempts to impose a complete system of compulsory sickness insurance on all people in the United States." He added that the Republicans will encourage a voluntary plan to be availabe to those who wish to take it.

Republicans are said to plan reintroducing, with some modifications, the Smith-Ball-Taft bill providing for Federal aid to States and local governments for voluntary health insurance.

Retailing and the Labor Laws

(Continued from page 282)

tion passed back in the 1930s. I refer more particularly to the Wagner National Labor Relations Act of 1935 and to the Black Fair Labor Standards Act of 1938. There is a widespread and growing belief that these labor laws should be repealed or at least amended. It is strongly felt that there is the need for restoring the balance between management and unions that seems practically impossible under these laws.

The bitter experiences in this country under the Wagner Act and the Black Fair Labor Standards Act show unmistakably that both should be corrected. The most proper and soundest thing to do would be to repeal them entirely. But there is the possibility that many of the members of Congress, with their eyes to the prospects of the election of 1948, may decide that it is more expedient to amend than to repeal.

Whatever procedure Congress adopts should have the interest and support, not only of employers but also of the public and even of representatives of labor among those willing to consider public welfare as above their own lust for power.

Changes in Wagner Act

If the Wagner Act is not repealed it should certainly be so changed as to give to employers the same rights and privileges as to the unions.

Collective bargaining should be redefined so as to reestablish the true meaning of the word **bargaining**, a free meeting of minds in the formulation of a bilateral contract.

The act should certainly be changed so as to include a clear enumeration of unfair union practices as well as of the present unfair employer practices.

Provision should be made to secure the effective enforcement of contracts on both sides instead of employers only as at present.

Strikes should be restricted to single plants, or at most to single companies. Industry-wide strikes, general strikes, strikes against public utilities, and strikes against the government or any of its subdivisions, should be ruled out entirely and the prohibition should be enforced by every power of a sovereign state.

The closed shop should be prohibited. It is today the most dangerous monopoly in our economy. It restricts the right to work as well as the right to employ. No man should be required to pay for the privilege of working, nor should any employer be required to hire workers selected for him by a union or a hiring hall.

The constitutional right of the employer as a citizen to talk freely to his own employees on any matter of mutual interest, a right which has been so sharply abridged under the Wagner Act, should be promptly and fully restored.

The Wagner Act has been wrong from the beginning. It was passed in haste without adequate study or consideration. It has multiplied industrial strife. It has driven a wedge of discontent, of misunderstanding and of growing, corrosive, destructive hatred between employers and their employees that should never have existed and which at best with the law eliminated or corrected will take many years to correct.

The repeal or at least a thorough revision of the Wagner Act is the first step to sound management-labor relations in this country.

If Congress is properly supported by employers and the general public it is more than probable that the Wagner Act will come in for such repeal or revision. The immediate urgency for such change is so clear that the responsibility for taking the necessary steps can scarcely be evaded.

Relief from Fair Labor Standards Act

There are, however, other things that need to be done which in the rush of the coming legislative session may not receive the attention they deserve, among them then need for repeal or at least relief from the destructive provisions of the Black Fair Labor Standards Act of 1938.

With the exception of the consternation now caused by the portal-to-portal wage issue, the need for change in the Fair Labor Standards Act is not nearly so clearly understood as the need for change in the Wagner Act. There is little, if anything, being said or done about its most fundamental evil, namely as a basic cause of inflation. This is a matter that needs much more consideration than it has had up to the present time.

This country has in the last five or six years undergone a tremendous movement towards inflation. This fact is well known to all but the extent of the inflation and its causes may not be so well known. In the last monthly publication of the index of retail prices by the Bureau of Labor Statistics for Nov. 15, this index showed a rise of 52% over its 1935-39 base. This means that the dollar of Nov. 15, 1946 is only worth about 65¢ as compared with the dollar of 1939.

But this index does not truly reflect the extent of increases in the prices of goods sold through retail stores. This overall price index includes rentals, gas, electricity and other items which have increased but little or not at all since 1939.

The increases in prices of goods sold through retail stores have been much higher. Foods, for example, by Nov. 15, had increased 87.7%. Clothing prices had risen 68.7% and house furnishings 69.1%. So while total retail sales as measured by dollars have more than doubled since 1939, a large part, certainly more than half, of the increase has been due to changes in dollar values, that is, to inflation. The remaining half or less represents the actual increase in volume or tonnage of goods passing through retail stores into the hands of consumers. As of the beginning of this year, 1947, at least two-thirds of all increases in dollar sales over what they were in 1935-39 are pure inflation.

Prices Not Yet At Peak

There is a rather common belief, probably based on hope rather than on fact, that we may have passed the peak of high prices. Some prices have gone down since Nov. 15. Undoubtedly there will be still other price recessions. But important as these price declines may be they are still but exceptions. The inflationary factors are still very strong in our economy. They are strong because of rising costs of production. Prices cannot fall below the costs of production for very long. The costs of production are high, primarily, because of the wage increases that have been granted during the past six years. If there are to be further wage increases, as seems likely, there will be higher costs and inevitably higher prices.

In determining fundamental price trends we should not be so much concerned with the gyrations of a few top prices as we should be with changes in the general costs of production. Both costs and prices are still moving upward. The trend is still towards inflation. Nor is there anything conclusive to indicate that its end is yet in sight.

Inflation is at once one of the most seductive as well as one of the most dangerous tendencies in our economic life. It is especially seductive to wage earners because it brings higher wages in dollars, if not in purchasing power, and most people like to handle more dollars. It is seductive to business because every price increase seems to bring increased profits. Of course, most of such profits are purely paper or accounting profits, but they still look good in the operating statement.

Inflation is seductive because it seems to carry with it the appearances of good business, high employment and easy spending. Inflation looks good to everyone who owes money and who would like to get out of repaying what he borrowed. Inflation is dangerous because it tends to wipe out the values of everything that bears the dollar sign. Sooner or later, unless a remedy is found and applied, this trend towards inflation must end in disaster.

The causes of the present inflation are not hard to find. The war created the conditions. It caused a shortage of all wanted civilian goods. It also created an enormous increase in dollar purchasing power. The enormous borrowings of the Government from the banks of the country during the past 15 years created large surpluses of cheap credit for commercial and other uses at abnormally low rates of interest. The national income payments are running nearly 2½ times the 1935-39 base level. The amount of currency in circulation at the present time is more than 3 times what it was on Jan. 1, 1940. Demand deposits are more than 2½ times what they were on Jan. 1, 1940. Time deposits closely approximate the same ratios. The war bonds purchased during the wartime represent assets that may be quickly turned into cash. Shortages of goods and excessive amounts of purchasing power are the raw materials out of which inflation springs.

Granted the conditions favoring inflation, now let us see how it got started. The Emergency Price Control Act was passed in January 1942 to control prices and to prevent inflation. But this Act neglected to control the prices of certain raw materials and more particularly of the wages of labor. Organized labor was prompt to take advantage of this omission and for more than a year pressed for and secured higher and higher wages. Finally, on April 8, 1943 the Administration had to issue its "Hold the Line Order" intended to keep wages from ruining the war effort and wrecking war production. Under this order wage increases were to be permitted up to 15% as approved by the National War Labor Board, July 16, 1942, in what was known as the "Little Steel Formula."

The President's order had hardly been issued before significant exceptions began to be made. The "Little Steel Formula" was pierced again and again. New and ingenious arguments were devised to secure even more and higher wage increases. These demands were granted in great numbers. In the remaining years of the war there were hundreds of industry-wide wage increases and thousands of company wage increases.

In the meantime the position of OPA became more and more untenable. For a while OPA attempted the impossible, namely, to accept wage increases and inevitably higher costs of production on the one hand, but tried to keep the ceiling prices of products down. The OPA "Costs absorption program," as it was called, was the final straw that broke what had become the hollow shell of price control and drove the OPA down to defeat. It was inevitable that, as wage costs were permitted to go up, prices had to go up or production and distribution would cease. It was those wage increases, granted both before and after decontrol unaccompanied by increases in production, that prompted the swift price increases that have occurred since the middle of 1945. It is to further wage increases, unaccompanied by increases in productivity, that we shall owe further price increases and still more inflation.

The industries and trades of the country are now faced by insistent demands from organized labor for another round of higher wages. Why it should be called the "Second Round" of wage increases, rather than the fifth or tenth round is hard to understand. It has been an almost continuous movement since 1939. Be that as it may, it remains to be seen whether, in the light of recent events, such as the failure of John L. Lewis in his coal strike against the government, the election of a Republican Congress and the general uprising of public opinion against the great unions, these demands will be granted.

Most business men are hopeful that the inflationary spiral may in some way be checked. Each month they seem to think that the peak has been reached. But there are as yet very few indications as to how this inflationary spiral may be brought under control. There are several movements which if permitted to continue will carry the inflation to still more dangerous levels, among them the following:

What Will Cause More Inflation

1. *The demands from the great unions for higher wages, unaccompanied by any increase in productiveness,* if granted, will continue to add to the cost of production and so to the prices of goods.

2. *Shorter and shorter working hours per day and per week* forced by the Fair Labor Standards Act of 1938 make it difficult if not impossible to raise our economy to full production and, therefore, to take care of the growing needs not only of our own population, but for export to the rest of the world. American labor, by its demands for shorter hours, is apparently committing itself definitely to a permanent policy of goods-shortages and of higher prices.

3. *Man-hour productivity has fallen* considerably in many industries and trades below what it was in prewar years. There is considerable disagreement as to the extent of such declines, but it must be clear that unless industry and distribution productivity can be increased, not only to prewar rates, but to much higher levels, it is inevitable that costs of production and the prices of goods must remain high.

4. *The minimum wage, set by law or administrative procedure, to raise the basic wage paid to marginal or least employable workers,* is probably the most fundamental cause of inflation of all. This point needs analysis and consideration.

The Minimum Wage as a Cause of Inflation

Proposals will be made before the present Congress for amendments to the Fair Labor Standards Act of 1938 to increase the minimum wage rate from the present 40c per hour to 75c per hour. Some of the union leaders are already asking for 85c or even $1.00 per hour. Members of Congress have suggested 60c and 65c per hour. In addition to the efforts to raise the minimum or basic wage rates by legislation affecting interstate industries and trade it is also certain that in many if not most of the 26 States and the District of Columbia that now have minimum wage legislation there will be the attempt to raise the minimum wage rates to cover intra-state industries and trades. The movements for increasing the minimum wages have already begun in several of these States. The similarity of these proposals at State levels to those to be made in Congress points directly to their common origin from the same sources and to their support by the same pressure groups. We are also likely to see an intensisve effort in 1947 to get other States besides the 26 that now have minimum wage laws to adopt such legislation.

The arguments for minimum wage legislation and for increases in the minimum wage rates are usually based on social grounds, such as the desire to raise the standards of living of the least employable and most poorly paid workers. The present arguments for increases in minimum wages are based on the increases that have occurred in the costs of living. The fact that these increases in costs of living have themselves been almost entirely due to increases in wage rates and costs of production are, of course, not mentioned.

How Changes in the Minimum Wage Affect Wage Structure

Let us now consider the practical effects of the establishment of higher minimum wage rates. The minimum wage rate is the basic wage rate paid to the beginner, the inexperienced, the least skilled, the least employable workers in our economy. It is the marginal wage earned by and paid to the marginal worker.

All wage rates above the minimum basic wage rate are differentials paid for differences in skill, experience, productivity, responsibilities carried, or other desirable or necessary qualities to production and distribution. Wherever there is a wage that is higher than the minimum basic wage, the differential is inevitably due to such differences. The amount of wages paid and received in excess of the minimum basic wage rate is the economic measure of the desirability, productivity or necessity of such workers to employers as compared with marginal workers.

When a minimum wage rate is set by law or by an administrative order at a rate not exceeding the level of the current basic wage rate as determined by supply and demand, the general wage structure is not affected. The costs of production and the prices of goods remain the same. Such a minimum wage rate does not disturb the business economy. Effectively enforced such a rate prevents any employer from taking any unfair advantage of any employee by offering to pay less than the current basic or marginal wage rate. Its effects are social rather than economic. This was the type of minimum wage that Florence Kelley, Judge Louis Brandeis and other pioneers of minimum wage legislation urged. Such a minimum wage may be entirely salutary.

When, however, the minimum wage rate is set higher than the current, normal minimum basic wage rate as established by market conditions, profound effects occur not merely within the wage structure, but also in the costs of production and the prices of goods. An increase in the legal minimum wage rate from 40c per hour up to 75c, a nearly 90% increase, cannot take place without vital changes in the entire economy.

If labor is plentiful and if production balances demand, the establishment of a higher minimum wage rate by law will inevitably cause unemployment. If there is no possibility of raising prices to cover the increased wage costs, employers cannot be expected to hire marginal workers at a higher rate. Employees not worth the higher minimum wage rates will be thrown out of work. Young and inexperienced workers will find it increasingly difficult to secure jobs. Persons so thrown out of work or deprived of chances for employment must then be taken care of by unemployment compensation or public relief.

The Fair Labor Standards Act of 1938 was intended to spread employment. It is gravely doubtful whether it even accomplished anything along this line. It is more probable that it retarded employment for as late as 1940 there were in this country still nearly "10,000,000 unemployed." If this country were again to face unemployment such as we had in 1940 the government would again be forced to turn to expedients such as WPA, or similar forms of relief under other names, to take care of those unable to find work under the restrictive conditions established by law.

If, on the other hand, there are shortages of labor and vital shortages in consumer goods such as is the case at present, it seems likely that, for a time at least, marginal labor will be employed even at the higher minimum wage rates, but not without far-reaching effects on the entire wage structure, on the wage costs per unit of production and inevitably on the prices of goods.

Let us consider the effects of such a change in the minimum or basic wage rate on the wage structure. To begin with, at least 30% and probably more of all the wage earners in this country are now receiving less than 75c per hour. All of these would have to have their wages raised to 75c per hour.

What effect would this change in the basic rate have on employees who up to the present have enjoyed differential wage rates? The reasons for differential wage rates will continue in the future as they have in the past. Employees who formerly had been getting 50c, 55c, 60c, 65c, 70c and 75c per hour would, of course, have to have their wages readjusted so as to establish their differentials above the basic wage rates of the marginal workers. They would be entitled to receive more than 75c per hour, that is, from 80c up to $1.25 or more per hour.

But with the readjustments made necesary in all wage rates formerly up to 75c per hour there would also have to be readjustments in the wage rates of those who formerly received more than 75c per hour so as to reestablish their differential ratios. Employees who formerly received 85c, 90c, $1.00, or $1.25 per hour would also be entitled to and would of necessity have to be paid wage rates running from $1.25 up to $2.00 per hour, and so on up through the entire wage structure. It would be neither fair nor economic to expect former competent employees to work for the same wages as formerly received when the least employable or marginal workers have had their wage rates increased up to as much as 90%.

The adjustments of these wage rates above the new and higher basic wage rate might require a little time, but the lag would not be long. Many employers would promptly recognize the fairness of increasing the differential wage rates of their former skilled workers. Any employers who might fail to see the necessity for such wage adjustments would be certain to have the matter effectively explained to them by the representatives of the unions.

The immediate interest of the unions in getting minimum or basic wage rates raised now becomes very clear. Nothing suits a union organizer better than to find an employer who has been too slow in granting proper differential wage rates to his employees. As every one knows, the concerns easiest to organize are those in which employees fail to have prompt acknowledgement of the value of their services in their pay envelopes. Consequently, the promotion of a higher minimum wage by legislation has become a powerful tool in union strategy for hoisting wages. Thus the establishment of higher minimum wages has become one of the major objectives of ambitious union leaders as well as of all those who would benefit from inflation.

The Penalties of Inflation Now in Prospect

High wages are essential to a prosperous national economy, but always in relation to productivity. A wage increase in any form, whether in an hourly rate of pay or in a reduction of hours of work without a reduction in weekly wages, if not accompanied by an increase in man-hour productivity, is purely inflationary. Every such wage increase whether paid by an individual, by an industry, or by a nation, is paid at the expense of everyone who is dependent upon a fixed income such as a pension, an insurance payment or interest on money and at the expense of everyone who possesses anything bearing the dollar sign.

In the slightly longer run the wage earner himself takes the beating. The $30 a week that he formerly got after the inflationary wage increases may become $60, $90 or even $120 per week, but the worker soon finds that he can buy no more for his $60, $90 or $120 than he formerly bought for his $30. This leaves him precisely where he was before. Marginal workers whose wage rates have been increased by law, if they are still employed, find that their increased wages by no more and may indeed buy less than they did before.

Still later these increases in wages and prices reach their climax. The tide turns. The boom becomes a bust. Then every one loses. Savings are wiped out. Markets disappear. Buying ceases. Industry goes on short shifts or shuts down. Unemployment mounts. Politicians rush in with their panaceas. The economic system gets the blame. All as a result of allowing inflationary trends to get started and then out of hand. This is no exaggeration. This is the way every inflationary disaster has ended.

Despite all expressions to the contrary, this country still is riding high and fast towards more inflation. Unless positive and effective forces are applied to stop this trend it will carry this Nation into disaster. It has already gone a long way.

Further Inflation Need Not Occur

Now, none of these things need to happen. We can stop the inflation if we will. How? Let us see what the unions themselves urge. The unions have competently staffed economic departments. Their economists must recognize the danger of inflation as well as any of the rest of us. Their advice to their members on how to fight inflation is interesting.

They urge their members to refuse to buy any goods whose prices are too high. They advocate consumers' strikes. These suggestions are sound so far as they go. But they do not go far enough. It is well enough to oppose increases in prices at consumer levels. But it would be sounder if the opposition to price increases were applied all along the line from producers to consumers. Buying should be discouraged not merely for finished goods that are too high in price, but also for raw materials, for labor and for other factors whose prices have been increased beyond the levels of prewar productivity.

The only real remedy for inflation is increased productivity, a productivity that will outrun purchasing power and consumer demand. Every wage increase without an increase in productivity, every strike and every other impediment to production is an encouragement to inflation. We must, somehow, get this clear to everybody.

A Program for Checking the Inflation

Here are the simple things that need to be done.

1. Clear out or at least correct the legislation that restricts the development of national economy. This goes particularly for the Wagner National Labor Relations Act and the Black Fair Labor Standards Act of 1938.

2. We need especially to get rid of the 40-hour and penalty overtime provision in the Fair Labor Standards Act, a provision that has not the slightest relation to the needs of the Nation or the safety of workers, but which serves to cut down production and so contribute to further inflation. This provision will penalize the Nation whenever there is a grave need for increased production such as there was during the World War and such as there is at present.

3. The Nation needs to check the use of minimum wage legislation and regulations as a means of jacking up the wage structure without relation to productivity. Any increase in the present minimum wage will have further inflationary effects. The proposals no matter how smoothly worded to raise the legal minimums are the preliminary moves for another round of wage increases and more inflation.

These laws have placed serious handicaps upon the economy of this Nation. They have increased labor unrest. They constitute a threat to the future. They can be corrected. They should be corrected before it is too late. Beyond these necessary steps let us constantly keep before us the eternal fact that the only real remedy for inflation is production, production that outruns purchasing power. Whatever checks or handicaps production contributes to inflation. Whatever adds to production and keeps costs down tends to reverse the trend of inflation and to cure its evils.

Will Do Our Part in Promoting Peace

(Continued from page 273)

until we get the patient off the operating table.

That is why President Truman and I at Potsdam two months after V-E Day proposed to set up the Council of Foreign Ministers to start work upon the treaties as quickly as possible, wherever possible.

And that is why we have persistently urged since last Winter that deputies should be appointed to begin work upon the German and Austrian treaties.

After every great war the victorious Allies have found it difficult to adjust their differences in the making of the peace. At the very outset grave differences between the Allies did arise in the work of the Council of Foreign Ministers. But we refused to abandon the principles for which our country stands. And we served notice that we would not retreat to a policy of isolation.

We made it clear that, as anxious as we were to reduce the burdens of occupation, America would not evade her responsibility. And at Stuttgart we made it clear that just as long as our Allies maintained troops in Germany and Austria, the United States would maintain its troops in those countries.

Determined to Do Our Part

We were determined to do our part to bring peace to a war-weary world and we have not sought any excuse, however plausible, for shirking our responsibilities.

The treaties with Italy and the ex-satellite states, as they emerged from months of protracted negotiation and debate, are not perfect. But they are as good as we can hope to get by general agreement either now or within a reasonable length of time.

The treaties mark a milestone on the return to conditions of peace. The fact that the Allies have been able to agree upon these five treaties, does give hope that they will soon be able to agree upon a treaty with Austria. That will make possible the removal of occupation troops from all European countries except Germany, and it will give to millions of people relief from the burdens of occupying armies.

Agreement upon these treaties gives assurance, too, that the discussions of the German settlement will start under much more favorable conditions than seemed possible until last month.

During the year or more that these treaties were under discussion it was inevitable that the differences between the Allies should be emphasized, and at times greatly exaggerated. On the other hand, during the war some of these differences were minimized and overlooked. But peace cannot be made by ignoring very real and basic differences and by pretending that they do not exist.

By recognizing and bringing out into the open our differences and honestly seeking means of reconciling them we have advanced and not retarded the cause of peace.

The discussions and debates in the Council of Foreign Ministers and in the Security Council during the past year caused a better understanding of our problems and contributed much to the substantial progress made at the recent Assembly of the United Nations.

But, my friends, we would never have made the progress that we did during the last year if the American people had not been united on a foreign policy.

For the past year our foreign policy has not been the policy of a political party, it has been the policy of the United States.

Vandenberg's Help Praised

And I am sure my Democratic friend, Senator Connolly, who has been associated with us would join me in saying that our bipartisan foreign policy was made possible only by the wholehearted and intelligent cooperation of my Republican friend, Senator Vandenberg.

I am indebted to him for his tribute to me. I would not trust myself to speak at length of him but I must recall to your minds last fall he was a candidate for re-election. His friends in Michigan urged him to leave me in Paris at the Foreign Ministers Council and return to his State. He refused. He placed the welfare of the country above his personal welfare. That's one of the reasons I respect and why I like Senator Vandenberg.

Cautions Against Excessive Optimism

I would issue a word of caution against excessive optimism and excessive pessimism as to our foreign relations.

We must not let ourselves believe that peace can be made secure by any one treaty or series of treaties, or by any one resolution or series of resolutions. And we must not let ourselves believe that the struggle for peace is hopeless, because we cannot at once find ways and means of reconciling all our differences.

Nations, like individuals, differ as to what is right and just, and clashing appeals to reason may in the long run do more to avert a clash of arms than a lot of pious resolutions which conceal honest and serious disagreements.

Never before have the differences between nations been brought out into the open and so frankly discussed in public as they have during the past year in the Council of Foreign Ministers, the Security Council and the General Assembly.

Of course it is true that public discussion emphasizes differences. But without such public discussion the people of the world who want peace would not know and understand the differences which arise between nations and which threaten the peace.

Wars may start not because the people want war, but because they want things that other people possess and will not give up without a fight. Full and frank discussion of such situations may avert armed conflict.

The struggle for peace is the struggle for law and justice. It is a never-ending struggle. Law and justice can be developed and applied only through living institutions capable of life and of growth. And these institutions must be backed by sufficient force to protect nations which abide by the law against nations which violate the law.

If we are going to build a regime of law among nations, we must struggle to create a world in which no nation can arbitrarily impose its will upon another nation. Neither the United States nor any other state should have the power to domiante the world.

The present power relationships of the great states precludes the domination of the world by any one of them. Those power relationships cannot be substantially altered by the unilateral action of any one state without disturbing the whole structure of the United Nations.

Therefore, if we are going to do our part to maintain peace under law, we must maintain, in relation to other states, the military strength necessary to discharge our obligations.

Force Only in Defense of Law

Force does not make right, but we must realize that in this imperfect world of ours power as well as reason does affect international decisions.

The great States are given special responsibility under the United Charter because they have the military strength to maintain peace if they have the will to maintain peace. And their strength in relation to one another is such that no one of them can safely break the peace if the others stand united in defense of the Charter.

We have joined with our Allies in the United Nations to put an end to war. We have covenanted not to use force except in defense of law. The United States will keep that covenant.

As a great power and as a permanent member of the Security Council, we have a responsibility, veto or no veto, to see that other States do not use force except in defense of law. The United States must discharge that responsibility.

And we must realize that unless the great powers are not only prepared to observe the law but are prepared to act in defense of the law, the United Nations Organization can never prevent war.

In a world in which people do differ as to what is right and wrong, we must strive to work out definite standards of conduct which all can accept. We must develop and build through the years a common law of nations.

History informs us that individuals abandoned private wars

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Observations

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keep from being fired, was he expected to walk a tightrope between frankly warning his clients about the business, while simultaneously white-washing that business to judges in "fix" cases—in conformity with the dignity of the Stock Exchange?

* * * *

A "Public Relations" Miscalculation

The quick action by Mr. Schram, with the active approval of Mr. Haskell's employer, may have been justified in the light of the basic business aims of both those parties. For the President of the Stock Exchange is in the full-time job of leading its continuing War-for-Survival against government encroachment. Although the recent election returns have no doubt temporarily repulsed the SEC, it and other of the nation's proponents of financial reform will no doubt do plenty of counter-attacking in future. And, as is demonstrated in recent elaborate outpourings of its literature, his employing brokerage firm has been taking great pains to emphasize the constructive investment nature of its services.

Nevertheless, the Exchange seems to have overestimated the success of its excellent advertising and other public relations campaigns, in convincing the public of the scientific nature of its clients' operations; to have misjudged the image in which it is held in the public eye. For in lieu of fulfilling expectations and condemning Mr. Haskell, the public—at least the voluble New York part of it—has obtusely chosen to jeer or laugh at the Exchange.

* * * *

The Definition of Gambling, Speculation and Investment

The differentiation between gambling, speculation, and investment, is largely a question of semantics and definition. But it does seem to this writer (after having heard the point argued throughout the world), that essentially the investor is motivated by the desire for *regular income*, whereas the speculator is concerned with gaining (fortuitous) profits through *changes in price*. Thus Webster's Dictionary defines speculation as "Dealing with a view to making a profit from conjectural fluctuations in the price rather than from earnings of the ordinary profit of trade."

Both under the premise of this concept, as well as under the public's usage, many activities of the Exchange and on the Street generally must at least raise the eyebrows of investment "purists."

First of all, let us consider "Wall Street's" relatively serious activities in security analysis and market forecasting. As was clearly demonstrated in Mr. Washington Dodge's article, "The Forecastability of the Stock Market," which appeared in the "Chronicle" of Dec. 19 last: "when we speak of forecasting the stock market, we obviously mean stock *prices* and not stock *values*." 99% of all market observers are really occupied—not with business-like scientific appraisal of a particular stock's price in relation to its long-term *value*, but in trying to guess the degree by which its future price—as determined by the emotions of the market place—will fluctuate from its long-term real value. Thus it is that the community vainly tries to wishfully-think and otherwise guess, about the *short-term* course of the nation's and world's cosmic political and economic events, and to guess again about their effect on prices. Whatever else may be said of this behavior, it certainly does not constitute businesslike, or even logical, appraisal of permanent income possibilities.

* * * *

The Significance of "System" Playing

The futility of this behavior is indicated by the fact that so many Wall Streeters—professionals and amateurs—have in disillusionment turned (escaped) to mechanistic "systems"—as chart-reading. While the construction of elaborate charts—with double and triple "tops" and bottoms and all kinds of geometric pictorialization—together with the esoteric lingo accompanying them, may enable the performers to believe and say they are doing constructive "work," nevertheless it really is equivalent to the roulette-players' age-old hunt for a "system" to beat the wheel. In the cases of both the roulette mathematician and the chartist if the results are sour, it is not "the system," but their interpretations, that are blamed. In any event, the charting and other mechanistic operations have nothing to do with investing for income—being exclusively concerned with market fluctuations; if the charts indicate even that defaulted German Bonds are in a buying range, they will be bought—income or no income!

* * * *

Activities on the Exchange

The continuing and even increasing degree of speculation controlling our stock market is evidenced by the great proportion of trading volume centering in the low-priced sector of the market. Far more even than in the 1920's, the major activity in the "late" long bull market was largely concentrated in stocks selling under $10—in its peak stages appreciating to the $10-20 stage. And in addition to the volume of trading, the extent of price-appreciation was also proportioned that way. Thus, during the 1942-'46 Bull Market, while the Dow-Jones Industrial Average advanced by 130%, Barron's index of low-priced stocks increased by no less than 635%.

Also doubting Thomases might ask how the still-existing activity of short-selling on the Stock Exchange is to be characterized—particularly in these days when most stocks are loaning flat or at a premium, in lieu of yielding interest to the short-seller.

. . . and whether the public's impression of an atmosphere of gambling is not pardonable, when during the football season and at election times it hears quotations of "the Wall Street odds"—and can have bets placed by its brokers.

. . . and it may be made skeptical by reading of the recent gambling fiasco on the New York Cotton Exchange; which, although it occurred on a commodity exchange, involved seven Stock Exchange firms.

* * * *

The Argument in Justification

One basis of frequent argument for justifying the "legitimacy" in American stock exchange activities lies in citing the constructive service that is rendered to the nation's industrial progress by the Stock Exchange's support of the capital market. Acknowledgedly, not only new inventions but also general capitalist expansion, is furthered by the willingness of Wall Street speculators to take a chance. But to define their functions in terms of the distant ends that those actions *ultimately* serve misses the point. It is the *primary* intent that must be the basis of *the concept* of their behavior.

To transform the concept of speculators' conduct on the basis of ancillary results, would be like denying that the French buyer of a lottery ticket is gambling because part of his money is devoted toward meeting the national government's expenses; or like contending that the pari-mutuel player at the race-track is performing a constructive service because he is indirectly supporting jockeys' worthy families, helping his State to support schools and hospitals, etc.

* * * *

The Investment Trusts and The Investment Bankers

Concentration on capital gains rather than income is evidenced by the conduct of even our most legitimate and scientifically-managed investment trusts. Evidencing this is their customary income-yield on assets of less than 3%; contrasted with the Dow-Jones average of industrial stocks' current earnings yield of 12%, and the latters' average dividend yield of 4.2%, and contrasted with their successful garnering of capital profits. Their reports of operations are always concentrated on capital values; the yield of their operating income from their portfolio often not even being calculated.

In the capital markets the speculative influence is reflected in the operations of our investment bankers. This is seen in the various kinds of "escape" provisions that govern underwriting contracts—provisos which, permitting cancelation of deals at the subsequent closing time if the "atmosphere" should become unpropitious, hence refer to *speculative* atmosphere.

* * * *

So we ask, what is Wall Street (and how should the customers' broker characterize it)?:—Investment Market; Machine for Speculation; or Gambling Parlor? Probably it is composed of bits of all three! And so perhaps Mr. Haskell and his colleagues should be taught to prefix the term "quasi" to whichever of the characterizations they choose!

Will Do Our Part in Promoting Peace

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and gave up their arms only as they were protected by the common law of their tribes and of their nations. So I believe that in the long run international peace depends upon our ability to develop a common law of nations which all nations can accept and which no nation can violate with impunity.

In the past international law has concerned itself too much with the rules of war and too little with the rules of peace. I am more interested in ways and means to prevent war than I am in ways and means to conduct war.

A Common International Law

Unless we are able to develop a common law of nations which provides definite and agreed standards of conduct such as those which govern decisions within the competence of the International Court of Justice and such as those which we hope may be agreed upon for the control of atomic energy, international problems between sovereign states must be worked out by agreement between sovereign states.

The United States has taken the lead in proposing the control and the elimination from national armaments of atomic weapons and other weapons of mass destruction under agreed rules of law.

These rules of law must carry clear and adequate safeguards to protect complying states from the hazards of violations and evasions. They must be sufficiently definite and explicit to prevent a state that violates the law from obstructing the prompt enforcement of the law.

If a nation by solemn treaty agrees to a plan for the control of atomic weapons and agrees that a violation of that treaty shall be punished, it is difficult for me to understand why that nation cannot agree to waive the right to exercise the veto power should it ever be charged with violating its treaty obligation.

In 1921, while a member of the House of Representatives I advocated that the President call a conference for the limitation of naval armaments.

Later the President did call such a conference. What happened thereafter influences my thinking today. While America scrapped battleships, Japan scrapped blueprints. America will not again make that mistake.

We have urged a general limitation of armaments, but we are not going to disarm while others remain armed. And we should make certain that all Governments live up to their agreements to disarm.

Priority of Atomic Control

We have urged priority for the control of atomic weapons because they are the most destructive of all weapons; because we have been at work on the proposal for more than six months; and because it presents concretely the issue of international inspection and control. We are convinced that if there can be agreement on that subject, there can be agreement on the control of other major weapons and a general reduction of armaments.

If we are unable to reach agreement on that subject it will be useless to discuss the other subjects.

But international law in a friendly, peaceful world must rest upon something more than mere rules, something more than force and something more than fear. It must be made to rest upon the growth of a common fellowship, common interests and common ideas among the peoples of this earth.

It was our fostering of a common fellowship that gave vitality to the good-neighbor policy in the Americas. It was a common fellowship which made the Act of Chapultepec possible.

We are eager to proceed with a negotiation of a mutual assistance treaty in accordance with the Act of Chapultepec at the projected Rio conference. But we do not wish to proceed without Argentina, and neither our Ambassador nor any official of the State Department is of the opinion that Argentina has yet complied with the commitments which she as well as the other American republics at Chapultepec agreed to carry out.

It is our earnest hope that before long there will be such reasonable and substantial compliance by Argentina with its obligations, that the American republics, after consultation, will convene the Rio conference.

Now a common fellowship does not mean that nations must in all respects think alike or live alike. Inevitably, we will differ. But nations like individuals must respect and tolerate one another's differences.

Peace Should Be More Than a Truce

Peace in this interdependent world must be something more than a truce between nations. To have peace, nations must learn to live and work together for their common good. We live in one world. The health of the body politic like the health of the human body depends upon the health of all its members.

No Economic Isolation

We cannot whole-heartedly abandon the policy of political isolation unless we abandon the policy of economic isolation. We are not likely to be successful in our efforts to cooperate to prevent war, unless we are willing to co-operate to maintain freedom and well-being in a world at peace.

We must learn to cooperate so that the people of each country may exchange the products of their country easily and fairly with the people of other countries.

Although our general long-run purpose is to help raise the living standard, the immediate problem during the last two years in some areas has been to maintain life itself.

Economic distress, starvation and disease breed political unrest, tyranny and aggression. And if we are sincere in our efforts to maintain peace, we must do our part to assist in the elimination of conditions which breed aggression and breed war.

If we want people to value freedom and respect law we must at least give them a fair chance to feed, clothe and shelter themselves and their children.

The war has devastated many countries and has disrupted their economics. UNRRA has helped these countries through their most critical period. Its authority is now terminated but some countries through no fault of their own will require further relief to get upon their feet. And this we cannot deny them.

Outright relief by us is necessary in some countries. But the countries in need and the extent of the need can be determined by the United States just as well as it could be determined by a committee composed of representatives of other Governments.

A permanent place on the relief rolls is not the desire of those self-respecting nations which have fought for their freedom. But much of their productive capacity has been destroyed, they have no working capital in the form of foreign exchange to start the flow of needed raw materials.

They do need loans to secure the raw materials, capital equipment and tools necessary to rebuild and resume their ability to produce. The work of the International Bank, the Monetary Fund and Export-Import Bank must continue to have our wholehearted support.

Despite the ravages and destruction of the war, the advance of science makes it possible for us and other nations to preserve and increase our living standards if we work together with other nations to produce what we and other nations want and need.

We must learn that prosperity like freedom must be shared, not on the basis of handouts, but on the basis of fair and honest exchange of the products of the labor of free men and free women.

No Barriers on Exchange of Ideas

We believe there should be no unnecessary barriers to the free exchange of ideas and of information among nations. But it is unrealistic to expect to have trade in ideas if we are unwilling to have trade in goods.

We must break down the artificial barriers to trade and commerce among nations. We must pursue our reciprocal trade policies which are designed to expand

American trade and world trade because the world cannot buy from us if we are not willing to buy from the world.

We must pursue vigorously the Charter for the establishment of an international trade organization. It is designed to avoid economic warfare between nations and insure equality of commercial opportunity for all nations, large and small. In other words, we must avoid economic blocs if we wish to avoid political blocs.

My friends, after every great war there comes a period of disillusionment. Those who fight together expect too much from one another and are inclined to give too little to one another.

They forget that victory in war can only give the opportunity, which would otherwise be denied, to live and work for the fruits of peace and freedom.

There Were Discouragements

I admit that during the past year there were times when I was deeply discouraged. Our repeated efforts to achieve cooperation in a peaceful world seemed to be meeting only with constant rebuff. But we persisted in our efforts with patience and with firmness.

Today I am happy to say that I am more confident than at any time since V-J Day that we can achieve a just peace by cooperative effort if we now persist "with firmness in the right as God gives us the power to see the right."

We have demonstrated our capacity in war. We must now demonstrate our capacity in peace. If we do, our children and the children of men everywhere can inherit a peaceful world of expanding freedom and increased well-being.

To that goal freedom's past inspires us and freedom's future calls us.

The Monetary Fund and ITO

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unsuccessful in obtaining all the modifications it sought in this regard. As reported to the Fund by Mr. Luthringer,

"The first approach of the Fund representatives to the problems presented by the foregoing was to express the view that (a) quantitative restrictions in the transition period might well be allowed under safeguards generally equivalent to those in Article XIV of the Fund Agreement; (b) that in the post-transition period the use of quantitative restrictions should be subject to prior approval as were exchange restrictions under Article VIII of the Fund; and (c) that objective criteria which would serve as an automatic guide to the imposition or removal of quantitative restrictions were impracticable.

"Consultation with the officers of the U. S. Delegation revealed that that delegation was willing to consider modification of the criteria proposed in the American draft charter and of certain aspects of its transition period proposals, particularly if it were possible to get agreement that after the transition period quantitative restrictions could be used for balance of payments reasons only to supplement or in lieu of exchange restrictions authorized under Article VIII of the Fund Agreement. Discussions with other delegations revealed, however, that there was no disposition to submit the use of quantitative restrictions for balance of payments reasons to the same degree of control and safeguard as exchange restrictions under the Articles of Agreement. It was argued by the British Delegation that the U. K. would never have signed the Bretton Woods Agreements unless it retained the right to use quantitative restrictions freely and that after all there was nothing about quantitative restrictions in the Fund Agreement. It was also clear that the countries most preoccupied with problems of reconstruction and development were generally unsympathetic to the requirement of advance approval of the use of quantitative restrictions. In this connection I might remark that one of the respects in which the London Conference differed from the Bretton Woods Conference was in the extreme preoccupation with transition problems. There was little or no disposition to work out first the post-transition or permanent provisions and then provide for a transition period of limited length as was done at Bretton Woods; rather, the approach seemed to be to regard the transition period as permanent and to shape the various proposals as far as possible in this direction.

"Since it early became apparent that there was no possibility of securing agreement on advance approval for use of quantitative restrictions for balance of payments purposes, even as a post-transition feature, the Fund representatives shifted to an attempt to get agreement on advance consultation in the post-transition period. We expressed the view that most balance of payments or external reserve difficulties did not arise overnight and that our essential point would be met if a country would consult with the ITO and Fund as soon as difficulties impended. By means of these consultations alternative methods of meeting the difficulties and their impact on the economy of the consulting country and of other members could be considered. At these advance consultations a country would not even need to indicate what its decision was.

"This proposal was strongly opposed by the U. K. Delegation on the ground that it was unfeasible from the standpoint of administrative planning of import programs and quotas and might lead to a flood of imports as soon as consultation was suspected by the public. The French Delegation, which was representing other European delegations as well in these particular discussions, was also opposed, and the U. S. Delegation was unwilling to give the proposal active support. We accordingly agreed to a compromise proposal which required consultation in advance only if practicable. In view of the other consultative requirements finally embodied in the draft of Article 20, however, this may not prove in practical effect to be a major departure from our position."

After thus summarizing the compromise of the British and Fund delegations' views as to the criteria for restrictions to safeguard an ITO member's balance of payments, Mr. Luthringer observes:

"It seemed at times that the Conference might in fact spawn a new era of mercantilism rather than lay the groundwork for substantial reduction in barriers to trade."

A provision of the draft charter as agreed to at London (subparagraph c of paragraph 3 of Article 20) provides "that a country may obtain advance approval for restrictions, and offers the inducement that if it does so, to the extent that such restrictions are approved it will be immune from challenge under 3 (d) in so far as balance of payments or reserve considerations are concerned."

This paragraph is also important, says Mr. Luthringer, because it embodies a compromise with the Australian request for establishment of objective criteria which, if applicable, would permit a country to impose restrictions with retaliation.

Inconvertible Currencies and Discriminations

Space prohibits complete quotation of Mr. Luthringer's comments on Article 22 of the proposed charter. Some excerpts from his report will be of interest here:

"This Article which sets forth the conditions under which quantitative restrictions may be discriminatory is of considerable interest to the Fund. There was some difficulty in reaching agreement on this Article, particularly on those parts relating to inconvertible currency situations, and agreement was in fact not reached until after there had been general agreement among the countries represented on the subcommittee on Articles 19, 20, 21 and 23. Other parts were much less controversial. There was never any question, for example, about the necessity for providing exceptions from the general rule of non-discrimination in the application of quantitative restrictions in so far as these involved (a) quantitative restrictions which had equivalent effect of exchange restrictions permissible under Article VII of the Fund Agreement, or (b) restrictions imposed against imports from other countries by a group of territories which have a common quota in the Fund. Similiarly, the French Government raised a question about the necessity for using quantitative restrictions to enforce exchange control regulations designed to insure that an exporting country received specified foreign currencies in exchange for certain exports. There was never any question about the legitimacy of such administrative use of import quotas, but there was some little difficulty in finding appropriate language. On this point we took the position that the Fund Agreement had carefully preserved the right of a member to invoice its exports in terms of the currency of a third country and that we saw no objection to implementing this right by the use of quantitative restrictions.

"There was general agreement at the Conference with the objective of establishing multilateral trading over as wide an area as possible, but there was a feeling that so long as some currencies remained inconvertible there would be difficulty in reconciling the objective of non-discrimination with measures which some countries would find necessary for the protection of their external financial position. . . .

". . . . Thus a member of the ITO which is a member of the Fund may impose discriminatory quantitative restrictions which have equivalent effect to exchange restrictions permissible to the member either under Article XIV or Article VIII of the Fund Agreement. In either case the country would retain freedom of action in the sense that advance approval of the ITO would not be required for quantitative restrictions. However, a country which was not under Article XIV and which was not restricting payments with the approval of the Fund under Article VIII could apply discriminatory quantitative restrictions only after prior approval of the organization in agreement with the Fund.

". . . There is no longer any fixed cut-off date for use of discriminatory quantitative restrictions, but, instead, even a country that has assumed its obligations under Article VIII may make use of such discriminations in exceptional circumstances if it is able to obtain advance approval.

"Article 22 is the only instance I believe where the Organization can on its own initiative order action by a member which the latter is under obligation to undertake. Accordingly, agreement on this section may provide a basis for recommending greater powers on the part of the ITO under Article 20, should the Fund consider this desirable."

Amendment of Fund Articles May Be Sought

Foreshadowing amendment of the Fund's Articles of Agreement is Mr. Luthringer's recommendation:

"That the board authorize the representatives of the Fund to state that the Fund will be willing to undertake the duties proposed for it with respect to non-member countries which may become members of the ITO, and will seek appropriate amendment of the Articles of Agreement to permit this, should such an amendment prove necessary."

Mr. Luthringer winds up his report by observing that the United Nations personnel at London seemed "somewhat surprised at our willingness to undertake close collaboration with the ITO since our unwillingness to sign a written agreement with the United Nations had led these individuals to expect an attitude of aloofness toward the ITO on our part."

Summary of London Meeting

A summary of the London meeting's accomplishments was separately prepared for the Fund by another member of its mission to London, Mr. Walter R. Gardner. This summary deals with the meeting's accomplishments outside the field of quantitative restrictions and exchange control. A few quotations from the summary may be of interest here.

"Not all the committees were able to reach complete agreement, in which case the different viewpoints were covered in their reports. Even those that came out with agreed drafts of specific articles often had to record certain reservations on the part of one or another delegation. But on most of the major points a very substantial measure of agreement was achieved.

". . . So far as possible, the relevant commercial policy provisions agreed upon in the Charter will be embodied in the General Trade Agreement that establishes the new tariff rates. In this way large sections of the Charter, including the sections on quantitative trade restrictions and exchange controls, may be adopted when the Trade Agreement becomes effective. There will even be a provisional international agency established by the Trade Agreement to function in advance of the ITO in connection with the provisions of the Charter that are embodied in the Agreement. And the original group of 17 countries may be enlarged as other countries evidence their willingness to make the tariff concessions and accept the obligations envisaged in the Charter. Ultimately, however, a World Conference of all eligible countries will be held to pass upon the entire Charter proposal, including the International Trade Organization. The recommendations of this World Conference will then have to go before the respective governments for adoption.

"The suggested chapter [on employment and economic activity] is brief and should be read in full. Employment is recognized as a matter of international concern. Each member agrees to take appropriate action designed to maintain full and productive employment and high and stable levels of effective demand within its jurisdiction. It also agrees to take action designed to develop its economic resources and raise its standards of productivity. This provision was inserted by the underdeveloped countries whose special needs were dealt with at length by the Joint Committee on Industrial Development. What happens if maximum progress and productivity can be achieved only in a rapidly changing economy involving considerable unemployment from time to time is not clear. Apparently, it would be left to countries to choose between the two incompatible objectives. Each member also agrees to take whatever action may be appropriate and feasible to eliminate substandard conditions of labor in production for export and generally throughout its jurisdiction. Cuba was particularly interested in this provision.

American Full Employment Promised

"From the Fund's standpoint, the most important provision, however, is that in which each member agrees that, in case of a fundamental disequilibrium in its balance of payments involving other countries in persistent balance of payments difficulties which handicap them in maintaining employment, it will make its full contribution to action designed to correct the maladjustment. This is aimed particularly at a country which has a large and persistent surplus in its balance of payments and, hence, is accumulating reserves of gold and foreign exchange at the expense of other countries and possibly preventing them from pursuing domestic programs of expansion and employment. Such a country is less subject than deficit countries to the influence of the Fund; and this obligation in the ITO Charter if accepted, may strengthen the Fund's hand.

"Elsewhere in the Charter there are escape clauses permitting members in balance of payments difficulties to employ quantitative restrictions or other measures to eliminate their deficits, but there is special emphasis in this employment charter on the need for interpreting these provisions so as to safeguard economies against the deflationary pressure in the event of a serious or abrupt decline in effective demand abroad.

"The drafts for this employment chapter originally presented by the British and Australians had gone much farther in committing countries to specific types of action, including their action as members of the International Monetary Fund and the Bank. The representatives of the Fund and the Bank were successful in eliminating provisions of this character which would tend to have the effect of tying the hands of their institutions in advance or give priority to this responsibility as against other objectives or responsibilities of the Fund and Bank.

Issue Pressed by Underdeveloped Countries

"**Committee I and II (Joint Committee on Industrial Development).** There was a strong movement on the part of undeveloped countries to obtain for themselves sweeping exemptions from the general principles of the Charter. They felt that the Charter was pointed in the direction of free trade, whereas they required protection and other assistance if they were to carry through their plans of industrial development. Hence, in every phase of the discussions these countries emphatically insisted upon exceptions for themselves. They firmly believed that without these exceptions the Charter would favor established industries in the major countries and tend to keep the undeveloped regions in the status of colonial areas with unprogressive economies. While there was too much substance to their position to be disregarded, there was danger that in recognizing it the Conference would destroy the whole purpose of the Charter, which was to break down the barriers to multilateral trade. If any member could use protective devices to whatever extent it considered necessary for purposes of national development, the Charter could

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The Monetary Fund and ITO

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be by-passed in almost every sphere.

"The situation was met by permitting exceptions **subject to approval of the ITO.** The draft which accomplishes this is nicely balanced between emphasis on the value of bringing out the full potentialities of undeveloped or war-damaged areas and equally emphatic recognition of the harm that would be done by fostering uneconomic enterprises."

Escape Clauses

In his discussion of the work of the London Conference relating to escape clauses in the proposed charter's general commercial policy provisions, Mr. Gardner observes as follows:

"There is also an important escape clause for members which feel that they are injured by any development which impairs any object of the Charter. Under this clause the ITO may authorize an injured member to withdraw specified concessions or obligations; but any member affected by these withdrawals may resign from the ITO on 60 days' notice. This general escape clause was the chief reason that the Australians agreed to forego special escape clauses designed to fit their particular needs in the employment and quantitative restriction sections of the Charter.

"In addition to these emergency provisions and the sections on quantitative trade restrictions and exchange control, agreement was reached on draft proposals governing most, but not all, of the other aspects of commercial policy. The important commitments to negotiate substantial reductions in tariffs, gradual elimination of tariff preferences, general most-favored-nation treatment, non-discriminatory administration of state trading enterprises and expansion of trade by state monopolies of individual products, consultation to limit subsidies injurious to international trade, and more detailed provisions governing **export** subsidies—all of these were embodied in agreed drafts. Becaues of the absence of Russia, no drafts were prepared on **complete** state monopolies of import trade and on relations with non-members. It also proved impossible to reach full agreement on drafts covering commercial policy procedures such as freedom of transit, tariff valuation, customs formalities, marks of origin, anti-dumping duties, and boycotts. These and some other matters were referred to the General Drafting Committee by way of a report covering different points of view."

U. S. Asks the UK a Question

Mr. Gardner's discussion of intergovernmental commodity arrangement provisions of the proposed charter is especially interesting. He states in part:

"This Committee arrived at an agreed draft on inter-governmental commodity arrangements. The arrangements will constitute something of a departure from the generally competitive commercial principles of the Charter. In general, they will apply only to primary commodities in which it may not be feasible for considerable periods to adjust supply to demand. They can be applied to other commodities only if the ITO finds that exceptional circumstances justify such action.

"One question that would have been of great interest to the Fund and the Bank, had it been pursued in this Committee, was that of buffer stocks. The financing arrangements would have had to be international in character. The question was in fact raised by the British, but the United States delegation asked who was to be the financial 'angel' and further pointed out that arrangements of this sort might lead to persistent accumulation of stocks and failure to adapt production to the market. The Committee then decided that buffer stocks were only one of several measures that might be employed to preserve stability in the markets for primary commodities and, hence, could better be left to be considered in connection with specific commodity agreements. The possible use of buffer stocks in this connection is now being explored in the food and agriculture discussions in Washington."

World Bank and U. S.-Canadian Cooperation

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exporters. This amendment was adopted by the Congress.

Let me read you a short extract from my testimony before Congress on this proposal, given on Feb. 23, 1919:

"The countries associated with us in the war have used up an important part of their resources in the long struggle, especially when we consider their resources from the point of view of international trade. They must economize nationally, and work to regain their lost peace industries as must we, as well.

"They have endured a longer and greater economic and financial strain than we. Left to the limits of their own resources, it will take them a long period to build up their international commerical relations. Unless we extend credits to them, they will be unable to buy from us largely until they can restore their exports and sell to us and others.

"We need at once and on a large scale an outlet for great quantities of our products. We cannot sell if we demand payment now, because our customers have neither the gold nor the goods nor securities marketable in this country with which to make payment.

"We should put our people in a position to extend credit for long enough periods of time to encourage and justify the purchase of our products. It is intended primarily to help our own industry, our own labor, our own finance, and thus our own national wellbeing.

"Nevertheless, a prompt restoration of international trade will do much more. It will enable Europe to restore its industry and employment of labor, and thus to hasten its political and social peace. Unemployment and hunger are the surest sources of social disorder."

This picture has many similarities with the present. In World War II the destruction of the machinery of production and the disruption of economies were on a vastly greater scale. But, when your government loans and ours come to an end, disorganization of international trade would follow if other facilities for meeting the needs were not available.

Bretton Woods Objectives

The objective of the International Monetary Fund, the charter of which, like that of the Bank, was framed at Bretton Woods, is to promote stability in international exchanges. Fluctuating currencies destroy the ability to make contracts extending over a period of time, which are essential to a highly developed international trade.

International loans obviously are necessary now for the reconstruction of the areas suffering from direct or indirect war devastation and general economic impairment. There is need also for long term loans to aid the less developed countries in improving their economic organization and in raising their standards of living. These needs were generally understood during and toward the end of World War II and the International Bank was created to deal with them on a comprehensive scale.

Forty of the nations which participated in the Bretton Woods Conference became members of the Bank—two of them recently—and subscribed its capital. Each member appoints a Governor and each Governor has an Alternate. The Governors, who meet once a year, are entitled to vote the shares of the Bank's capital subscribed by their governments.

There are also 12 Executive Directors, each of whom likewise has an Alternate. Each of the five members having the largest subscriptions to the Bank's capital appoints one Director; the remaining 35 members elect the other seven Directors. The authority of the Governors with respect to the day-to-day operations of the Bank has been delegated to the Directors, who generally meet twice a week to act upon the Bank's business and consider questions of policy.

The President is Chairman of the Executive Directors. He is also the chief executive officer of the Bank and, as such, is responsible for the appointment and supervision of the operating staff, subject to the general control of the Directors.

The Articles of Agreement provide that the staff shall be recruited on as wide a geographical basis as is practicable. This, of course, involved some difficulty and delay, but it is important that the staff should be international. A fine group of men has been brought together and I have confidence in the ability and character of the personnel.

Chester A. McLain, an able lawyer who had had extensive experience abroad as well as at home in matters relating to international finance, was selected as General Counsel. He came to the Bank from the law firm of Cravath, Swaine & Moore in New York. A Canadian, Charles C. Pineo, is Director of the Loan Department. Until recently he was an officer of the Royal Bank of Canada in charge of their foreign branches and is a man of competence and experience. Mr. Pineo is ably supported in the work of his department by Arthur S. G. Hoar, who came from the Bank of England. The Treasurer, D. Crena de Iongh, formerly was President of one of the large banks in the Netherlands.

A French economist, Leonard B. Rist, is Director of the Research Department. Before the war he was Vice President of Morgan & Cie. in Paris. A lawyer from Montreal, Morton M. Mendels, is Secretary of the Bank. In the Canadian Army, from which he was released early in 1946, Mr. Mendels was responsible for military estimates, finance and economic studies. Harold D. Smith, formerly Director of the Budget of the United States, who accepted the position of Vice President at my request, tendered his resignation when I left the Bank. He is, however, continuing to serve pending the election of my successor.

The resources and facilities of the Bank are solely for the benefit of its members. It may make or participate in direct loans, or it may guarantee in whole or in part loans made by private investors through the usual investment channels. If a member itself is not the borrower, then the member of its central bank, or some other comparable agency acceptable to the Bank, must fully guarantee the loan. Loans made or guaranteed by the Bank must be for the purpose of specific projects of reconstruction or development, except in special circumstances.

The subscribed capital of the Bank is over seven and a half billion dollars. This total will be increased to approximately eight billion dollars when additional countries whose applications have been accepted become members. Twenty per cent of this amount may be called by the Bank for working capital. Ten per cent, or about $750,000,000, became payable by Nov. 25. The remaining 10%, called for payment in February and May, 1947, will bring the total to approximately one and a half billion dollars. One half of this sum, or about $750,000,000, will be in gold or U. S. dollars, the remainder in other currencies of the member countries. The remaining 80% is subject to call only for the purpose of meeting the Bank's obligations.

Members Individually Obligated for Capital Stock Subscription

A short time ago it was stated in an article in a New York newspaper that the question had been raised as to whether, if one or more members defaulted in the payment of calls on their subscriptions, the Bank could make additional pro rata calls until the amounts paid in by non-defaulting members up to the full amounts of their respective subscriptions should be sufficient to meet the obligations of the Bank. In addressing the meeting of the Life Insurance Association of America at New York in December, I took occasion to refer to this article. I quoted the opinion of the General Counsel of the Bank that the obligation of each member on its subscription to the capital of the Bank is independent of the obligations of other members. In case some members fail to respond to a call on their subscriptions, he stated, the Bank may continue to make pro rata calls, up to the full amount of its capital subscribed and unpaid, until the amount received by the Bank is sufficient to meet its obligations for funds borrowed by it or on guarantees made by it.

The Bank's Debentures

Aside from its working capital, which can be used as a revolving fund for the making of loans, it will be necessary for the Bank to obtain the funds required for its lending operations through the sale of debentures in the public markets from time to time. For the present at least, this means the markets of the United States and possibly also of Canada.

The Bank's debentures will have behind them not only its loan portfolio, its reserves and its paid-in capital on hand, but also the liability of the members for the remaining 80% of their subscriptions. The commission of from 1 to 1½% which the Bank is required to charge on all loans must be held in liquid form as a special reserve to meet the Bank's liabilities. This reserve should amount to a substantial sum after the first years of operation. The portfolio, together with reserves, surplus arising from operations and subscribed capital, cannot be less than 200% of the Bank's obligations. The Bank's loans and guarantees cannot exceed its unimpaired subscribed capital, reserves and surplus.

Effort to Secure Conservative Operation

Clearly, the framers of the Articles of Agreement intended to make every effort to assure a conservative operation.

The means at the disposal of the Bank are large, as they should be considering the needs. Great credit is due to the men of the member nations who conceived and worked to create the two great world organizations — the Bank and the Fund—and a heavy responsibility rests upon those entrusted with the task of conducting their operations. The restoration of world order and peace depends in no small measure upon their courage, wisdom and success. They must succeed.

War finance, and even postwar finance up to this time, had to be conducted on a scale and with a liberality unrelated to peacetime finance. Now that we are in the transition from war to peacetime finance, consideration must be given to the careful use of credit. As I once said many years ago: "Credit is a little like some drugs. In the hands of people who know its powers but also its dangers it is the most helpful, useful and healing thing in the world. But like those drugs, with misuse, with carelessness and with habitual indulgence to excess, it can become the most demoralizing, disintegrating and destructive agency."

Restoration of International Trade

Both our countries are deeply concerned and interested in the restoration of international trade. Canada, as a result of its accelerated industrial growth, now depends on export markets for about one-third of its volume of business. This means that the world is depending greatly on you, as it is upon us, for essential supplies and the credit needed to acquire them. Business is good only when it is good for both parties and financial machinery is effective only when it is adjusted to the fundamentals of existing situations. Finance is essentially a part of the mechanism for the production and distribution of goods. To be successful, it must always be conducted with that fundamental conception.

Your country and ours were blessed with the power to lend great strength to the war against dictatorships. Now, likewise, we must lend our strength toward winning the peace. We have both recognized the world needs and have acted in unison to meet them. Money, of course, is not enough. Production of the things needed abroad, as well as at home, is essential. For, without full production, money is an idle investment. The availability of materials no less than credit is required to help restore the devastated areas and their productive facilities. In other words, we must help them to help themselves.

U. S.-Canadian Cooperation Essential

This postwar cooperation is nothing new to your country and mine. We learned it through sheer necessity during the war. When the stake is self-preservation, every effort of which human beings are capable is brought into action. The scale of cooperation developed by our two governments in the war was in proportion to the need. Even before the United States entered the conflict, over 12,000 U. S. citizens had joined your armed forces. After our entry, many Canadians became members of the U. S. armed forces.

We joined Canada in the construction of air and naval bases in Newfoundland for North Atlantic defense and transferred to it anti-aircraft and seacoast guns for the defense of your maritime provinces. Study and preparations were made for air routes to Alaska and ferry routes across Hudson Bay and from Labrador to Greenland, Iceland and the United Kingdom. We also joined in the construction of air bases and facilities throughout Canada for combined operation.

Committees to further the war effort were organized to enhance our mutual military efficiency. Many operational plans were joint efforts of your forces and ours. After VE-Day, plans were perfected for training a Canadian Army division in the United States to work with the U. S. forces in the Pacific against Japan. Military personnel from both countries were trained in each other's schools, and the exchange of intelligence techniques and information was extensive. The great part that your Navy played in the arduous duty of convoying Allied vessels in the North Atlantic is known, but not as widely as it should be.

All these things were done to promote our mutual and joint security. Techniques were developed which made rapid progress during the war, especially toward the end, so that security for either of us means security for both of us. Our positions and interests in the work of reconstruction are similarly interwoven now and for the future.

The border of political sovereignty did not prevent both nations before the war from developing close and friendly relations, politically and economically. The new importance of the air and the stratosphere makes a boundary mean less than ever. When a threat confronts either of us, it confronts both of us. Such a threat, if it occurs, may come upon us very suddenly.

Canada in a remarkable way has come into its own, economically and internationally, during the past few years. The rapid industrialization made necessary by war had been proceeding for many years. The war merely accelerated the pace of an existing trend. You are strong in natural resources and you have a people capable of using them efficiently. Therefore, the part you are playing and will play in the future cannot be measured in terms of population. Beyond the resources of men, materials, skills and efficiency, there is the strength that is derived from ideals of human freedom and from the promotion of education, health and well-ordered liberty. The United States knows and respects the ties that bind you as one of the nations composing the British Commonwealth. But there are ties which arise from the physical conditions of your existence and ours that are no less binding and strong. The pursuit of your interests in both directions is in harmony with our own interests and with sound policy.

Leadership and Publicity Needed

What is needed in international relations is better understanding widely distributed among the peoples of our countries. This is a burden of leadership. Too often leadership, even where it has the understanding and knowledge, either lacks the ability or fails to recognize the necessity of keeping the people informed promptly and comprehensively. An informed electorate is necessary in a democratic country if sound policies are to command political support in a rapidly moving world. The education of the people is not only a burden of political leadership, but also of the leadership in educational institutions and of the press. I mean the newspapers, the weekly and monthly magazines and the publishers of books. If books on international affairs are to be published only at $3 or more, they cannot reach the masses of our countries If newspapers neglect international news in the areas less closely in contact with foreign business and travel, they are keeping their people in ignorance regarding matters about which it is vital that they be informed.

Twice in 30 years you and we have found ourselves at war. Peaceful nations as we are, desiring to live and let live in peace and freedom, we found ourselves inevitably involved in world conflicts. We were too slow in understanding the causes and forces which swept us into these wars. But we had no choice as to whether we should or should not be involved. We acted from compulsion. There was no question as to whether or not we wanted to fight. Our selfpreservation was at stake.

An Example of Cooperation

A strong working cooperation between our two countries will not only protect our continent, but will enhance our usefulness as members of the United Nations. It may well achieve far more than that. If we do not allow minor difficulties to upset major considerations, if we are wise enough to build upon the common foundations achieved during the war and strengthened now by our common responsibility toward the world, we may be able to convince other nations that similar good relations are possible between all peoples of good will. I am convinced that you and we, through continued understanding and cooperation, can make notable contributions to a better world with more freedom and better living conditions for all nations.

A Symposium on 1947 Outlook

(Continued from page 272)

that after that recession, we are still capable of moving forward strongly for a while.

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FORESEES RISE IN LIVING COSTS

Rufus S. Tucker, Economist, General Motors Corp.—We can have a considerable decline, for example, in agricultural prices, which a good many people seem to think likely. As far as I know anything about agricultural prices, I agree with that. I think there are a good many other raw materials that will show a considerable decline. At the same time, it is likely that a good many manufactured goods will have to go up because their costs of production have been raised. The cost of living might continue to go up, even if the wholesale price index went down. I don't mean to say that I expect it to go up very far, but what I mean is that the turning point in the cost of living may lag a good many months behind the turning months of the wholesale prices.

The question was raised as to whether automobiles might price themselves out of the market. I feel quite certain that that couldn't happen next year, probably not the year after. The demand is extremely intense, which is shown by the fact that a very large proportion of the automobiles sold are paid for in one way or another at a price very much above the ceiling price. I don't mean to say that the manufacturer gets it; he doesn't. He would be much more entitled to it than the person who does get it. If the manufacturer doesn't get it, the next claimant on the money ought to be the government. There ought to be a tax on these things. But since neither the government nor manufacturer gets it, the unscrupulous black market operator gets it and the prices paid are a good deal higher on the average than those quoted.

The ordinary rules about higher price discouraging demand are merely long-run statements of tendencies. If you have a special situation where a large number of people want something intensely in the very near future, immediately, if possible, and have the money to pay for it, you can't talk about high price discouraging demand. It simply determines who will get the goods, and it will take at least a year, and probably longer, before that kind of demand is satisfied.

* * *

PREDICTS RECESSION LATE IN '47

D. H. Davenport, Director, Division of Economic Development, New York State Department of Commerce—I expect that the first half of '47 will show some uncertainties in movement and that a readjustment or recession will occur in the latter half of '47. I do not expect the readjustment to be so severe nor so long as it was in '21.

YALE ECONOMIST OPTIMISTIC FOR 1947

O. Glenn Saxon, Professor of Economics, Yale University — I think we can have a very optimistic outlook for 1947. I would be more inclined to think that you would get a recession of a more serious import in '48 partly owing to the readjustment of market and price conditions, and partly owing to political uncertainties. But, barring the labor situation, I think that 1947 will be a very prosperous year, and that 1948 will see merely a minor type of recession, similar to 1921-1922.

* * *

SEES DEPRESSION SOMEWHERE AHEAD

Solomon Fabricant, National Bureau of Economic Research, Inc.—I think the prospects for 1947 would be a lot better than they would otherwise be if our trade unions did not push too hard for higher wages and were content to increase their incomes by more work and more efficient work; if our big industrial organizations did not push too hard for higher prices and were content to increase their incomes by more output, more efficient output, and if they were not afraid to make investments . . . I think we are going to have a depression . . . though I don't know when.

* * *

SOME SPECIFIC FORECASTS FOR 1947

Jules Backman, Associate Professor of Economics, School of Commerce, Accounts and Finance, New York University—Here are several specific forecasts. Food prices are past their peak. I think that clothing prices are near their peak. Nonfood prices are going higher because of higher costs, both of raw material and wages. Production is going to remain high. The main factor interrupting production is going to be strikes. I think demand is going to stay high. I think that to the extent any recession takes place, it is going to be short, not deep, and nothing like 1920-21.

There are four main factors which must be given consideration in any evaluation of the business outlook. They are:

1. The decline in the stock market.
2. The increase in inventories.
3. The imminence of new wage demands.
4. The possibility that products will be priced out of the market.

In the past, sharp declines in the stock market have been followed by reductions in business activity. Such stock market declines have reduced the amount of money available for purchases of homes, cars, furs, and similar items, and, hence, because of the reduction of purchasing power, have had an adverse effect upon business. I do not think that this close relationship applies at the present time. The decline in the stock market, and also the reduction in black market activities, will mean a reduction in demand for furs, jewelry and other high-priced items. However, the volume of purchasing power currently generated and that created as a result of past budgetary deficits is so great that, unless goods are priced out of the market, there will be ample money to buy all the cars and homes that are produced.

* * *

SHARP DECLINE IN LATE '47 PREDICTED

Bradford B. Smith, Economist, United States Steel Corp.—My guess is that the termination of this boom is not so soon as most people guess, and that when it comes it will be worse than most people have guessed. I would put the timing somewhere toward the end of 1947 or over into 1948, rather than earlier.

* * *

"SOME RECESSION" IN MID-1947 FORECAST

Roswell Magill, Professor of Law, Columbia University — I should be inclined to suppose that there will be some recession in 1947. I should guess it would come toward the middle of the year. This recession we are talking about, or this mild readjustment—because I think it will be mild—will be essentially in consumers' goods.

* * *

DOWNWARD TURNING POINT SEEN AFTER MID-'47

L. J. Paradiso, Acting Chief, Business Structure Division, United States Department of Commerce—I feel that the turning point might very well come after the middle of 1947, more probably in the third quarter of the year than later. Expenditures on housing will probably increase significantly in the coming year. Taken together with plant and equipment expenditures, not much of the $7 billions decrease in the rate of inventory accumulation can be offset by a rise in these types of expenditures.

* * *

FEW BACKLOGS SEEN FOR LATE '47

Raymond Rodgers, Professor of Banking, School of Commerce, Accounts & Finance, New York University—If the wage demands turn out to be moderate, I expect lower average prices and lower total production for the entire year 1947 than in 1946. Also, I say that supply will catch up with demand much more quickly than is generally anticipated. Much higher prices and increased production will melt the so-called backlogs of demand very, very quickly. Win, lose or draw, there will be few if any backlogs for industry's Christmas next year.

* * *

SIX TO NINE MONTHS OF BUSINESS RECESSION COMING

Helen Slade, President, New York Chapter, American Statistical Association — Today, various signals indicate that we are in the last phase of prosperity. Although the opulence of 1946 is not likely to end so disastrously as did that of the former time of excessive spending, I believe we face at least six to nine months of business recession in 1947.

* * *

"WE WILL HAVE A RECESSION"

Everett E. Hagen, National Planning Association — Because consumer income has not gone up as fast as prices have, the increase in consumer purchases will be much too small to take the place of declining inventory accumulation and declining government purchases. While the basic demand for construction is enough to fill the gap, construction activity will not rise fast enough to replace inventory accumulation just when inventory accumulation tapers off. If this guess is correct, we will have a recession. If we do, we will probably get a small amount of selling off of inventories, which will prolong the recession for a time. But the recession will be neither serious nor prolonged.

* * *

BREAK "OF CONSIDERABLE SIZE" FORECAST

Julius Hirsch, Economist—I expect that in some sectors of the economy, partly owing to strikes, the upward trend of prices will continue for a while, and even go farther than necessary, as it did in building materials. Then, a break of considerable size is likely to follow, and I think that this break will occur in the first half of 1947. This does not mean a full-size depression. On the contrary, I do not expect a major depression immediately; I do not expect 1929 to be repeated, and I doubt whether 1920-21 will be fully experienced, because of various favorable elements which were not present in 1920-21. One of these elements is the savings which I consider to be a very good cushion after the first inevitable shock.

* * *

"1947 WILL BE A YEAR OF RECESSION AND READJUSTMENT"

Alexander Sachs, Economist — The postwar replenishment boom already reached its peak in the summer of 1946 and 1947 will be a year of recession and readjustment in prices, led by agriculture. There will also be declines in industrial prices and in industrial production as a whole. Thus there should emerge out of the readjustment recession more tenable cost-price relationships in production, realignment of the economy from nondurable to durable goods' dominance, and improvement in labor productivity as a basis for a hopefully longer postwar expansion boom than the replenishment boom.

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THINKS FARM PRICES WILL DROP AS INDUSTRIAL PRICES RISE

Lionel D. Edie, President, Lionel D. Edie & Co.—We have a lot of adjustments to come in 1947. Agricultural prices are too high; they ought to come down and will come down. But I think the industrial prices are too low and ought to go up and will go up. The net effect will be to leave the BLS general wholesale price index about what it is now as an average for 1947.

Group to Study Universal Training

A committee of nine who will make a study of universal military training was appointed by President Truman on Dec. 19, advices from Washington to the Associated Press stated, adding that the President evidently hoped in this way to find a plan acceptable to those who do not favor the proposal. The civilan group, said the Associated Press, which includes churchmen and educators, consists of:

Joseph E. Davies, former Ambassador to Moscow.

Dr. Daniel Poling, Boston, editor of "The Christian Herald."

The Rev. Edmund A. Walsh, Vice-President of Georgetown University, Washington.

Dr. Harold W. Dobbs, President of Princeton University.

Samuel I. Rosenman, New York lawyer and former special counsel to Presidents Roosevelt and Truman.

Mrs. Anna Rosenberg, New York public and industrial relations consultant.

Charles E. Wilson, President of the General Electric Co. and former WPB Vice-Chairman.

Truman K. Gibson Jr., Chicago lawyer and former civilian aide to the Secretary of War.

The President assigned the Commission the tasks of:

1. Studying "the basic need as well as various plans for universal military training in relation to over-all planning for the national security."

2. Submitting recommendations to the President.

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.

● **Amalgamated Development Co., Reno, Nev.**
Jan. 10 (letter of notification) 500,000 shares of common **Price**—50 cents a share. No underwriting. For mine development.

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 Gas & Electric Co., New York**
Jan. 13 filed 840,057 shares ($10 par) common, owned by Electric Bond & Share Co., parent. **Underwriter**—None. **Offering**—The shares will be offered for subscription to Bond & Shares common stockholders in the ratio of .16 of a share of American Gas common for each share of Bond & Share common held. Price by amendment. **Proceeds**—Proceeds go to the selling stockholder.

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.

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.

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.

Bachmann Uxbridge Worsted Corp.
Nov. 27 filed 45,000 shares of 4% preferred stock (par $100) and 200,000 shares of common stock (par $1). **Underwriters**—Kidder, Peabody & Co. and Bear, Stearns & Co. **Proceeds**—Will go to selling stockholders. Price by amendment. Offering of preferred at end of January; common may be withdrawn

Basic Food Materials, Inc., Cleveland, Ohio
Nov. 26 (letter of notification) 5,000 shares (no par) common, to be offered to stockholders; 295 shares of ($100 par) preferred, 4,750 shares (no par) common and $50,000 10-year 5% debenture notes, all to be offered to the public. **Prices**—$5 per common share to stockholders; $10 per common share to public, $100 per preferred share and debentures at face. No underwriting. To increase working capital.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. **Underwriter** — White, Weld & Co., New York. **Price** — By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin, President of Beaunit Mills, Inc.

Bell & Gosset Co., Morton Grove, Ill. (1/20-23)
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.

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.

NEW ISSUE CALENDAR

(Showing probable date of offering)

January 17, 1947

Birmingham Electric Co. ---------------Preferred
Leader Enterprises Inc. --------Pref. and Common

January 18, 1947

Clad (Victor V.) Co. ----------------Debentures

January 20, 1947

Bell & Gosset Co. ---------------------Common
Cristina Mines, Inc. --------------------Common
Eastern Cooperative Wholesale Inc.------Common

January 21, 1947

Hy-Grade Supply Co.------Preferred and Common
N. Y. State Electric & Gas Corp.
Noon (EST) --------------------------Bonds
Old Town Ribbon & Carbon Co., Inc.-----Common
Pantasote Co. --------------------------Common

January 23, 1947

Alabama Great Southern RR.
3 p.m. (EST) ---------------Equip. Trust Ctfs.
Chesapeake & Ohio Ry.
Noon (EST) ----------------Equip. Trust Ctfs.
Cincinnati, New Orleans & Texas Pacific
3 p.m. (EST) ---------------Equip. Trust Ctfs.
Pennsylvania RR. --------------Equip. Trust Ctfs.

January 27, 1947

Central & South West Corp.------------Common
Colonial Sand & Stone Co. ---------------Common
Firestone Tire & Rubber Co.-----------Debentures
Helene Curtis Industries Inc.--Pref and Common

January 28, 1947

General Phoenix Corp. ---------------Debentures

January 29, 1947

Seaboard Air Line Ry.
Noon (EST) ----------------Equip. Trust Ctfs.

February 1, 1947

Helicopter Aircraft Service Inc..Pref and Common

February 4, 1947

N. Y. State Electric & Gas Corp.
Noon (EST) -------------------------Preferred

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.

Boston Store of Chicago, Inc.

Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Inc., Philadelphia

Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

Braunstein (Harry), Inc., Wilmington, Del.

Sept. 25 filed 12,500 shares ($25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Price** — $25 a share for preferred and $11 a share for common. **Proceeds**—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities. Offering date indefinite.

Brooklyn (N. Y.) Union Gas Co.

May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

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.

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 received Jan. 27.

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.

● **Clad (Victor V.) Co., Philadelphia (1/18)**

Jan. 13 (letter of notification) $150,000 5% 10-year debentures. Underwriting none. Price, par proceeds, to liquidate $125,000 bank loan and provide additional working capital.

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. (1/27-31)

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.

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 (1/20-23)

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.

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.

● **Dealers Credit Corp., Pittsburgh, Pa.**

Jan. 8 (letter of notification) 101,300 shares (no par) common and $45,505 of promissory notes, 5% cumulative interest. **Price**—Common will be offered at 50 cents a share or less and the promissory notes will be offered at face. No underwriting. For working capital.

Detroit Typesetting Co., Detroit, Mich.

Sept. 25 filed 70,920 shares ($1 par) common. **Underwriter** — C. G. McDonald & Co., Detroit. **Price** — $5.50 a share. **Proceeds** — Stock is being sold by six shareholders who will receive proceeds.
Boston. For working capital.

● **Doyle (John T.) Co., Inc., New Bedford, Mass.**

Jan. 10 (letter of notification) 1,000 shares (no par) common and 2,000 shares ($100 par) preferred. **Prices**—$10 a common share and $100 a preferred share. No underwriting. For production of commercial bodies.

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(Continued from page 309)

• Ducor Mining & Milling Corp., Reno, Nev.
Jan. 10 (letter of notification) 80,000 shares of common. **Price**—$1 a share. No underwriting. For purchase of mining machinery and other expenses.

Durasite Corp., Clearwater, Fla.
Oct. 11 (letter of notification) 99,000 shares of common and purchase warrants covering 50,000 shares of common. **Offering**—Price $3 a common share and five cents a warrant. **Underwriter**—Amos Treat & Co., New York. For machinery, plant renovation and working capital. Offering date indefinite.

• Eastern Cooperative Wholesale, Inc., New York (1/20)
Jan. 13 (letter of notification) 30,000 shares of common stock (par $5). Price par. Underwriting none. Proceeds working capital.

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.

• Financial Industrial Fund, Inc., Denver, Colo.
Jan. 13 filed 500,000 Fund shares. **Underwriter**—Investment Service Corp., Denver. **Price**—Based on market value. **Proceeds**—For investment. **Business**—Investment business.

• Financial Industrial Fund, Inc., Denver, Colo.
Jan. 13 filed 4,000 Systematic (periodic payment) investment certificates providing for total payments of $4,800,000 and 500 cumulative (full-paid) investment certificates providing for total payments of $500,000. **Underwriter**—Investment Service Corp., Denver. **Price**—Based on market value. **Proceeds**—For investment. **Business**—Investment business.

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.

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.
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 (1/28)
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.

• Gordon Foods, Inc., Atlanta, Ga.
Jan. 14 filed 150,000 shares ($1 par) common. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Allen & Co., New York, are principal underwriters. **Offering**—Company will offer 125,000 shares to the public at $6 a share and the remaining 25,000 shares will be sold to the principal underwriters for investment at $5 a share. **Proceeds**—Company will apply $350,000 of the net proceeds to purchase the Driscoll Food Products, Cincinnati, O., from its co-partners, John J. Driscoll and Clarence H. Wolfe, and approximately $400,000 to finance an expansion program of its new Louisville, Ky., plant. **Business**—Manufacture of potato chips, peanut butter sandwiches and other nut products.

• Greenville (Tex.) Industrial Development Fund, Inc.
Jan. 13 (letter of notification) 2,000 shares ($50 par) common. **Price**—$50 a share. To be sold through Dudley Ames, Greenville, licensed dealer under Texas Securities Act. The company is a civic non-profit organization. Proceeds will be used to acquire sites and buildings to be leased to industries locating in Greenville.

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.

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. (1/27)
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.

• Helicopter Aircraft Service, Inc., Syracuse, N.Y. (2/1)
Jan. 13 (letter of notification) 1,000 preferred shares and 10,000 common shares. Price, preferred $100 per share and common $1 per share. No underwriting. Purchase of Helicopters and other equipment.

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 (1/21)
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.; The First Boston Corp.; W. E. Hutton & Co. **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. It is expected that warrants will be mailed to stockholders Jan. 20. 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.

• Kingfisher Water Co., Chicago
Jan. 7 (letter of notification) $85,000 first mortgage 4% bonds. **Price**—$1,000 and $500 per unit. **Underwriter**—Metropolitan St. Louis Co., St. Louis, Mo. For payment of $35,000 note and for property additions and improvements.

Kiwago Gold Mines Ltd., Toronto, Canada
Dec. 3 filed 1,000,000 shares (no par) common. **Underwriter**—Jack Kahn, New York. **Price**—70 cents a share, the underwriting discount will amount to 21 cents a share. **Proceeds**—For exploration and development of mining property and for administrative expenses.

Leader Enterprises, Inc., New York (1/17-23)
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.

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.

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.

● **Miller Lodges, Inc., San Jose, Calif.**
Jan. 10 (letter of notification) 15,000 shares of class A common and 15,000 shares of class B common. **Price** — $10 a share. No underwriting. For purchase of land, construction of 54 unit hotel and for equipment and other purposes.

● **Monmouth Park Jockey Club, Oceanport, N. J.**
Jan. 14 filed voting trust certificates for 483,500 shares of (1¢ par) common to be offered on exchange for common. **Business**—Operates a race track.

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 Roll & Foundry Co., Avonmore, Pa.**
Jan. 9 (letter of notification) $7,600 15-year 5% sinking fund debentures due 1959. Price at market. **Underwriter**—Warren W. York & Co., Inc. The debentures are being issued to the underwriter in payment of certain obligations.

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. (1/21-2/4)
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 $7,500,000 contribution from General Public Utilities Corp., 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 construction. **Bids Invited**—Bids for the purchase of the bonds will be received up to noon (EST) Jan. 21 and for the preferred stock up noon (EST) Feb. 4 at Room 2601, 61 Broadway, New York City.

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 are 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.

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.

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. (1/21)
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. (1/21-22)
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.

Peninsular Oil Corp., Ltd., Montreal, Canada
Sept. 3 filed 600,000 shares of common (par $1). **Underwriter**—Sabiston Hughes, Ltd., Toronto, Canada. **Price**—60 cents a share. **Proceeds**—Net proceeds will be used to purchase drilling machinery and other equipment.

● **Pennsylvania Power & Light Co., Allentown, Pa.**
Jan. 13 filed 1,050,072 shares (no par) common stock owned by Electric Bond & Share Co., parent. **Underwriter**—None. **Offering**—The shares will be offered for subscription to Bond and Share common stockholders in the ratio of .20 of a share of Power & Light common for each share of Bond & Share common held. **Price**—The price will be $3.50 below the market price on a day to be selected by Bond & Share. **Proceeds**—Proceeds go to the selling stockholder.

Peruvian International Airways, Lima, Peru
Dec. 4 filed 301,122 shares ($7 par) 50-cent convertible preferred and 451,683 shares ($1 par) common, of which 301,122 shares will be reserved for conversion of preferred. **Underwriter**—None stated. **Offering**—301,122 preferred shares and 150,561 common shares will be offered publicly in units of two shares of convertible preferred and one share of common at $15 a unit. The company also may offer the shares other than by unit at a price of $7 a preferred share and $1 a common share. **Proceeds**—To increase capital for expansion of proposed air route connecting Peru and Montreal, Can.

Petroleum Heat & Power Co., Stamford, Conn.
Dec. 30 filed 912,464 shares ($2 par) common. **Underwriters**—None. **Offering**—Shares will be offered in exchange for entire outstanding capital stock of Taylor Refining Co., consisting of 8,946 shares (no par) common with an underlying book value of $2,458,224 as of last Sept. 30. At a meeting of stockholders, Dec. 23 company authorized an increase in common stock from 1,000,000 to 2,000,000 shares and also authorized the issuance of the present offering in exchange for the Taylor stock. Approximately 70.9% of the common stock is held under a voting trust agreement of Aug. 15, 1945, which it is expected will be terminated upon the acquisition of the Taylor stock.

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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.

● **Providence Tuolumne Gold Mines, Inc., San Francisco**
Jan. 10 (letter of notification) 200,000 shares (25¢ par) common. **Price**—25 cents a share. No underwriting. For working funds.

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.

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.

● **Research & Development Society Inc., Baltimore, Md.**
Jan. 7 (letter of notification) $20,000 of class A common and $30,000 of class B common. **Price** — $10 a share. **Underwriting**—The Research and Development Society, c/o Clarence L. Harmon Sr., President. To defray cost of plant establishment and to provide working capital.

● **Regal Shoe Co., Whitman, Mass.**
Jan. 8 (letter of notification) 9,000 shares ($1 par) common on behalf of John J. Daly, President. Price at market. **Underwriters**—Van Alstyne, Noel & Co., and Cohu & Torrey, New York.

● **Reiter-Foster Oil Corp., New York**
Jan. 8 (letter of notification) 105,800 shares (50c par) common. **Price**—85 cents a share. **Underwriter**—The Federal Corp., New York. For working capital.

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.
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.

● **Reynolds Metals Co., Richmond, Va.**
Jan. 6 (letter of notification) a maximum of 7,894 shares of common to be offered to certain officers and employees of company at $38 a share. No underwriting. For general corporate purposes.

● **Sanitary Products Corp.**
Frank P. Parish, Taneytown, Md., and Arthur B. Donovan, Boston, issuers for Sanitary Products Corp., a company not yet organized, on Jan. 6 filed letter of notification for preorganization subscriptions for 2,000 shares ($50 par) preferred and $50,000 shares (no par) common. **Price**—$50 a preferred share and $4 a common share. No underwriting. For organization of business and 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.

● **Seymour Water Co., Louisville, Ky.**
Jan. 8 (letter of notification) 7,200 shares ($25 par) 5% cumulative preferred. **Price**—$26.50 a share. **Underwriter**—Smart & Wagner and The Bankers Bond Co., both of Louisville. **Proceeds**—To provide part of funds to purchase 2,587 shares of capital stock of Seymour Water Co., Seymour, Ind.

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.

● **Silver Pick Gold Mining Co., San Francisco**
Jan. 10 (letter of notification) 197,000 shares (25¢ par) common. **Price**—25 cents a share. **Underwriting**—Cyyilla Jeanne Plunkett, San Francisco. For development of mining claim.

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.

● **Southwestern Associated Telephone Co., Dallas, Tex.**
Jan. 13, 32,000 shares (no par) cumulative preferred. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. Price by amendment. **Proceeds**—To pay $1,569,050 demand note held by Southwestern's parent, General Telephone Corp., and to reimburse company's treasury.

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 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. Rights expire Feb. 10. **Price**—$20 per share. 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. **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. Indefinitely 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.

● **Transgulf Corp., Houston, Texas**
Jan. 13 (letter of notification) 30,000 shares (no par) common. **Price**—$10 a share. **Underwriter**—South & Co., Houston. For development of oil and gas properties.

● **The United Co., Westminster, Md.**
Jan. 10 (letter of notification) 2,500 shares ($100 par) 5% cumulative preferred. **Price**—$100 a share. No underwriting. For working capital

U. S. Television Manufacturing Corp., New York
Nov. 4 filed 200,000 shares (par $1) 25c cumulative convertible preferred and 230,000 shares of common (par 50c). Price of preferred $5 per share. Of the common 30,000 shares are reserved for the exercise of warrants up to Jan. 15, 1950 at $3.50 per share and 200,000 are reserved for the conversion of the preferred. **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.

● **Upson Co., Lockport, N. Y.**
Jan. 13 (letter of notification) 2,098 shares of common stock (par $10). **Underwriter**—Hamlin & Lunt, Buffalo. Price, at market (about $16 per share). Proceeds to selling stockholders.

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.

● **Weaver Bros., Inc. of Baltimore**
Jan. 6 (letter of notification) 3,000 shares ($100 par) 4½% cumulative preferred. **Price**—$100 a share. No underwriting. For operation of business.

● **Worne Plastics Corp., New York**
Jan. 10 (letter of notification) 239,200 shares of capital stock (par $1) of which 64,200 have already been sold (25,000 at $1 per share and 39,200 at $1.60 per share). Corporation now makes rescission offer for the foregoing

shares. The remaining 175,000 shares were privately offered and was sold Jan. 10, 1947 to one group of four persons at $1 per share. Proceeds will be used to purchase and equip plant, etc.

West Coast Airlines, Inc., Seattle, Wash.
Sept. 2 filed 245,000 shares ($1 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Price**—$7 a share. **Proceeds**—Will be used for payment of various expenses, repayment of bank loans, purchase of equipment and for working capital.

Western Air Lines, Inc.
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. Expected to file new financing plan at early date.

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 $1,520,000 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.

• Chesapeake & Ohio Ry. (1/23)
The company is inviting bids for the sale of $2,300,000 equipment trust certificates. Bids will be received at company's office, 3400 Terminal Tower, Cleveland, Ohio on or before noon (EST) Jan. 23. The certificates are to mature Feb. 15, 1948 to 1957. Probable bidders include Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.) and Cleveland and New York banks.

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.

• Montreal (City of)
Jan. 15 reported city is exploring the advisability of early sale in this country of $85,639,000 bonds to retire outstanding higher cost debt. Probable bidders if bonds are sold in United States include Harriman Ripley & Co. Inc., and Dominion Securities Corp. (jointly); The First Boston Corp.; Smith, Barney & Co.; Glore, Forgan & Co.; Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Shields & Co. (jointly).

• Pennsylvania RR. (1/23)
Jan. 23 company will receive bids for the sale of $14,970,000 equipment trust certificates Series R, maturing in 1-to-15 years. Proceeds will be used to cover 80% of the cost of 15 Diesel electric locomotives, 57 passenger cars and 1,100 freight cars the latter to be built in the Pennsylvania's shops. Probable bidders include Salomon Bros. & Hutzler and Halsey, Stuart & Co. Inc.

• Scruggs-Vandervoort-Barney Inc.
Jan. 15 company has under consideration the issue and sale of 20,000 shares of $4.50 cumulative preferred stock when market conditions permit. Proceeds would be used to refund 10,000 shares of Denver Dry Goods 4½% preferred and to finance a modernization and extension program.

• Seaboard Air Line RR. (1/29)
Company will receive bids up to 12 noon (EST) Jan. 29 at office of Willkie Owen Otis Farr & Gallagher, 15 Broad St., New York for the sale of $3,000,000 equipment trust certificates. The dividend rate which must be a multiple of ⅛ of 1%, is to be specified in the bid. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• Transcontinental & Western Air, Inc.
Jan. 13 stockholders voted to increase the authorized capital stock from 1,000,000 shares to 3,000,000 shares. Company announced that although no plan for the sale of additional shares had been formulated, it was deemed advisable to place the corporation in a position to obtain additional funds when conditions appear appropriate.

• United Air Lines Inc.
Jan. 13 W. A. Patterson, President announced company plans to sell approximately $10,000,000 of preferred stock. Additional details are not available at this time. Mr. Patterson also announced there will be further financing at a later date, but that United currently is not in a position to tell when it will take place or how much will be involved. Probable underwriter Harriman Ripley & Co.

• Utica & Mohawk Cotton Mills, Inc.
Jan. 28 stockholders among other things will be asked to authorize an issue of 60,000 shares of preferred stock, of which company plans to issue $2,500,000 to complete a modernizing and expansion program.

• York (Pa.) Corp.
Jan. 14, stockholders voted to increase the authorized common stock from 962,046 shares, par $1, to 1,500,000 shares, par $1, and approved the creation of an issue of up to 160,000 shares of preferred stock, par $50, of which it is presently contemplated that part or all will be issued when market conditions permit for the purpose of financing a program of plant improvements, reducing outstanding bank loans (which on Dec. 1, 1946, amounted to $7,300,000), and increasing the working capital of the corporation. The preferred stock issue will be underwritten. Probable underwriters Union Securities Corp. and Stone & Webster Securities Corp.

Our Reporter's Report

Swift & Co.'s $50,000,000 of term and serial debentures brought to market yesterday, got the new year in the underwriting business off to a promising start, proving pretty much an "open and shut" deal.

With one banking house acting as agent for the issue the debentures were quickly placed and dealers reported them hard to find around the offering price.

This was the first undertaking on which the so-called "red-herring" prospectus was extensively used but, considering the circumstances surrounding the offering, it was hardly to be viewed as a real test of the effectiveness of the new procedure permissible under the recent ruling of the Securities and Exchange Commission.

The Swift & Co. financing consisted of $35,000,000 in new 25-year debentures and $15,000,000 in one-to-ten year debentures. The term issue was priced at 100½ carrying a 2⅝% coupon while the serials were priced at par.

Brisk institutional demand soaked up the offering with indications that the preliminary prospectus, widely circulated, had given purchasers ample opportunity to gauge the status of the debentures in advance.

The recent ruling of the SEC allows investment bankers to circularize prospects with the preliminary form provided to supplement such prospectus with whatever additional information may be considered essential prior to the offering.

Birmingham Electric

Difficulties surrounding the recent move by Birmingham Electric Co. to market a block of 45,478 shares of new preferred stock about a week ago cleared sooner than had been expected, and as a consequence of changes along lines that had been indicated.

When the company first offered the stock for bids it set a 4.20% dividend rate and prescribed that no bids of less than 100 would be considered. Bankers could not see their way clear to market the issue on that basis, and the company called for new bids to be opened Jan. 17, 1947.

But meantime bankers proceeded to submit bids fitting their ideas marketwise. The company accepted a bid of 98¼ for the original dividend rate, and the stock is due to be marketed, perhaps today, at a price of 100.

Montreal Financing

Having already disposed of two refunding issues in the home market, the city of Montreal is about ready to close with New York and other American investment bankers for the flotation of an issue of $77,000,000 of new bonds, payable in U. S. dollars.

Terms probably will be announced over the week-end since bankers have been in the Canadian city tieing up loose ends for several days. This financing was projected late last summer, but failed to attract any bids because of too severe terms proposed by the issuers.

The new loan will replace higher coupon bonds now outstanding and the financing will round out the City's program in that direction.

Rail Equipments

Pennsylvania Railroad's call for bids on an issue of $14,970,000 series R equipment trust certificates is regarded as the forerunner of a period of greater activity in this phase of the investment market.

Pennsy's issue will mature in 15 annual installments the last on Feb. 1, 1962 and bids are due to be opened a week from today. Chesapeake & Ohio will open bids for $2,300,000 certificates on the same day.

The country's railroads are counted upon to embark on a program for replacement of much antiquated equipment which had been deferred due to war conditions and likewise to supplement their rolling stock with additional new units in substantial volume.

Airline Financing

Airline financing, much of it planned earlier, but held up by reason of market conditions last fall, is beginning to take shape again with some sizable new issues moving into prominence.

Transcontinental & Western Air, of course, holds the spotlight momentarily because of the furore which attended preparations for the change in capital necessary to permit it to undertake needed financing.

But United Air Lines has announced plans looking toward the sale of some $10,000,000 new preferred at an early date, and Western Air Lines already has a sizable new block of stock in registration.

Tomorrow's Markets Walter Whyte Says—

(Continued from page 277)

pose? To make investing easy? Don't be silly. When speculation is made difficult, commissions fall off. Even the prices of seats on the NYSE fluctuate with the commission business. "Misconception of the business," indeed! I'll go even further. I'll say that fully 75% of the buying is done for the purpose of selling in the immediate future for a profit.

Now for the market: Last week I pointed with pride to the market emphasizing that the lows were getting higher every day, giving you the impression that such a market was headed up. In passing I did mention that one day the averages broke up their pretty little picture by breaking their previous day's lows. But I shrugged it off as unimportant, particularly when subsequent day's markets cancelled the losses. Long ago I have learned never to overlook anything in the market, no matter how insignificant or how prejudiced I was.

You saw the result. Saturday and Monday they dropped down sharply and there I was with a long position. In the course of the decline two stocks penetrated their stops. I don't, and didn't, like to see it. But that is why the stops are there; to limit losses. Perhaps the other stops will also be broken before you read this. If so the figures given here in the past few weeks will take care of them.

Somewhere around 167-170 the averages seem to have a stopping point, a level from which a rally of some kind can get started. But if the rally is to have any holding power it will have to be preceded by a period of dullness. It is during such a period of dullness that some peering in the future will be possible.

Anaconda bought at 37 with a stop at the same figure; Dresser at 17, stop 18, are still above their critical points. Both Gulf, Mobile and Ohio and Southern Pacific were stopped, though in neither stock did you take losses.

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.]

Labor's Attitude and Industrial Peace

(Continued from page 270)

as he decides the question—shall he strike or not?

Of equal importance is to grasp the fact that American workers fully understand that our nation today has within its grasp the golden chance of unparalleled production, employment and national prosperity. If fully developed we can foresee an ever-increasing standard of living for the American people. And it must be recognized that industrial strife may thwart if not destroy this opportunity.

You are probably wondering at this moment—if we are aware of these dangers, how does labor justify the crucial strikes and stoppages which occurred during the early part of last year or oppose legislation designed to destroy our right to strike?

It is your responsibility, as well as that of the leaders of labor, to probe into the underlying facts—to ascertain why in the face of the known hazards which workers assume in the case of a strike, do they still feel it necessary to become engaged in that struggle to achieve ends which they deem just and vital to their existence. Are their grievances well founded? If so—only measures designed to meet this need look toward the attainment of industrial peace. This is the field of inquiry which I shall endeavor to explore.

VJ-Day found the nation confronted with many serious problems. Never before in our history had we so completely converted our national resources for all-out war production. Overnight we were to reverse our path and reconvert to peacetime pursuits.

Recent Helps to Industry

Many laws had been enacted by Congress during the course of the war and subsequent thereto to soften the shock of reconversion for management and provide financial relief. For example: the carry-back provisions of the tax law; provisions authorizing corporations to accelerate amortization for war-built plants during the years of high taxes; various statutes which simplified reimbursement in the case of contract termination and recovery for inventories built up under war contracts. In addition, surplus plants were to be available at amounts far below their reproduction costs. The excess profits tax was repealed.

I am not suggesting that all problems of industry were solved, but at least many measures were enacted or governmental steps taken to ease your burdens.

On the other side of the ledger, we should examine the lot of American workers during the same period. In many industries, even where full employment continued, the workers suffered a sharp slash in weekly earnings due to curtailment in their working hours. The steel industry continued at fairly high production levels after VJ-Day—but the 48-hour workweek was curtailed to 40 hours and less. This meant a loss of at least 12 hours pay because of the elimination of overtime rates.

Ask yourselves—what it would mean to your standard of living if at a certain date you were to suffer anything from a 25 to a 30% cut in your weekly income.

For millions of American workers an even sharper income slash occurred. War industries discontinued. Whether the employees were rehired at the same plants for civilian production or had to re-migrate back to their original prewar civilian jobs—their new employment was at wage scales far below that which they had received during the war.

At the same time the cost of living did not decrease or even remain stationary—it steadily increased. I am not now going to cite figures of the Bureau of Labor Statistics relating to the cost of living. I am prepared to accept the statements of any wives as to what occurred to the cost of living during the past year.

It was in the face of this situation that the Labor-Management Conference was convened by President Truman in the City of Washington in November of 1945. There were many at that Conference who felt that the only problem to which attention should be given was that of developing machinery for the elimination of industrial disputes. A very laudable objective — but one which paid absolutely no attention to the basic practical facts of life which confronted the nation at that time.

Mr. Philip Murray, President of the CIO, beseeched the Conference to address itself to an issue that demanded attention and a solution. The crying need was the one which I described to you, namely, the dwindling income and the rising cost of living for the average American worker.

We had felt that if this Conference undertook to furnish an answer, the growing and swelling discontent and unrest could have been alleviated. We had hoped that through the medium of the Conference, a pattern could have been devised which if adapted through collective bargaining to particular industries, would have assured continuity of production and the avoidance of industrial strife.

But for whatever the reasons may have been, Mr. Murray's suggestion went for naught. No solution emerged from the Conference of the nation's leaders of industry and labor.

Strikes thereafter occurred in the several basic industries such as steel, automobile manufacturing, and electrical manufacturing. These were the most dramatic and received the greatest attention in the press. From these disputes has emerged the unfair and thoroughly unfounded accusation that labor was completely at fault and primarily responsible for industrial strife and its unfortunate impact upon our national economy.

Any fair analysis of the facts should negate and completely eliminate any such misunderstanding.

First, as to the events which led up to the strikes. I can cite to you one case history—the steel industry. Collective bargaining began in September of 1945. I have already explained to you the severe cut in wages which the steelworkers had experienced. The union took two days to present its case for a wage increase. We received our answer in exactly 40 minutes. It was "No."

Even so, the strike did not occur until Jan. 21, 1946 — almost four months after collective bargaining began. Was that a sufficient cooling-off period?

Before the strike occurred, the Secretary of Labor twice requested the parties to resume collective bargaining either with or without the assistance of a government mediator. To both such requests the union swiftly answered "Yes." The industry replied "No."

Further, it should be recalled that the strike occurred only after the industry rejected a decision of the President of the United States that a wage increase of a specific amount be granted to the steelworkers.

In the other two industries, namely, automobile and electrical manufacturing, the strikes were prolonged in the fact of the refusal of the employers involved to comply with the decisions of Fact-finding or Mediation Boards appointed either by the President or the Secretary of Labor.

Of course in the steel and other industries there was the constant refrain from representatives of industry that wage increases could not be granted without substantial increases in prices. It is a commonly repeated accusation that the present inflationary situation is due almost entirely to the fact that labor did exact wage increases during the early part of 1946.

Wage Increases Justified in 1946

The cold, stubborn facts reveal that labor was fully justified in obtaining a substantial wage increase and that if industry had cooperated, thereby avoiding industrial strife, a high level of production that was then obtainable would have resulted in profits to industry far in excess of any previously enjoyed in the history of this country.

I bring to your attentian the 18th quarterly report of the OPA, issued on June 30, 1946. This report concludes that price advances made by leading industries were not necessitated by the wage increases granted in the early part of 1946. The OPA points out that actual price increases made by 15 industries before June 30, 1946 were 3.6 times as large as were necessary to offset the wage increases granted.

1946 witnessed the abolition of all controls over prices. It was then urged that the elimination of all controls was the swiftest means of inducing full production and bringing about a lowering of prices.

The Result of De-Control

But what has been the result?

The Bureau of Labor Statistics reported on Dec. 30 that retail food prices rose 34% during 1946. Cost of living essentials in general were up 18% during the year 1946. This increase in the cost of living was the highest since 1918 and many times the moderate rises of the preceding three years. On Nov. 15 retail food prices had reached the highest point on record, surpassing a previous high set in 1920. At that very time all controls over prices had been eliminated.

On Friday of last week was published the financial report of a large meat packing corporation. For the fiscal year ending Nov. 2, after taxes, this meat packing company earned $6,700,000 as against $2,500,000 for the preceding year. Can it be fairly suggested, in light of such facts, that the wage increase to the meat packing workers has caused the soaring prices for meat products?

Do you believe that such facts tend to soothe the feelings of workers who find themselves caught between shrinking weekly earnings and constantly rising and inflated prices of goods which they must buy for bare living?

Let me bring our economic situation up to date.

In the steel industry, which is a good barometer, the average weekly earnings of the workers in April, 1945—or about VE-Day—were $56.32. In September of 1946 these weekly earnings had declined to $50.28—a loss of $6.04. Remember—this drop occurred in spite of the wage increase that had been obtained in February, 1946.

Maintaining Real Wages

Adjusting the present weekly wage on the basis of the rising living costs, the steelworkers would have had to receive in September of 1946 a weekly income of $64.66, or an increase of $14.38 to have had the same real wages as they enjoyed in April of 1945.

And the cost of living has risen considerably since September of 1946.

Do you know what this means to the steelworkers? A nationwide survey conducted among workers' families in basic manufacturing industries by the CIO shows that 71% of the families interviewed had less than $300 in savings. Over 80% of the families surveyed indicated that rising prices forced them to buy less milk, butter and eggs per week and had cut their purchases of clothing.

Yet it is among the large masses of American workers that industry must rely for the purchasing power to buy the goods to be produced. In the face of the picture which I have described to you, do you believe that these workers can buy new automobiles, new refrigerators, new radios, or the many other products of American industry?

Compared with these human problems, we find a striking contrast for corporate profits. In December of 1946 we were at approximately a 25 billion dollar level of total corporate profits before taxes. This volume of profits equals that of the best war year. It is more than 2½ times the 1929 volume of profits and nearly five times the average 1936-1939 profit volume.

On an after-taxes basis—which is most relevant to the earnings of stockholders—corporate profits are approaching 15 billion dollars, fully 1½ times the level of the best war year. Due to the lower pre-war tax structure, corporate profits, after taxes, are now about 1¾ times the volume of 1929 and 3¾ times as high as the average of the years 1936-1939.

Clearly, our economic situation is one fraught with many dangers.

Though producing at an all-time high level, with almost full employment, there appears to be a calm acceptance of an approaching economic crisis. Some prefer the less ominous term of "recession."

From one spokesman there comes the suggestion that if workers would only be patient and housewives prove to be more obstinate, prices will eventually come down. This, of course, is an admission that the price situation is an intolerable one.

It may be of historical interest to note that in 1806, in the famous Philadelphia cordwainer's case, when a group of workers were being prosecuted as members of a conspiracy for being engaged in a strike for a wage increase, the suggestion was also offered to them that they should have been more patient and await price decreases.

I would certainly be less than frank if I did not express a very profound skepticism of the likelihood of voluntary price decreases on the part of the very same corporations which have brought about the dangerous inflation of the past six months.

Prices may come down as a result of a severe depression, but the economic consequences would be an appalling penalty to pay.

Our analysis of the economic situation—approached with a sincere effort to make a contribution to industrial peace—is that wage increases negotiated through bona fide collective bargaining will provide the basis for sustained purchasing power and assure continued high level of production and profits for industry.

However, there are others who reject this solution. The needs of the people — which I have attempted to describe — have not made a sufficiently deep impression. But instead there emerges the countless suggestions for penalizing labor.

We are prone to seek a culprit when solutions of difficult problems do not easily appear. At the moment it is "labor."

But after the witch-hunt is over, there will still remain the task of providing the answer to the crying needs of the people for security and a decent standard of living.

I wonder if anyone would be so naive as to suggest that if all strikes were forbidden—and at the same time no steps were taken to remedy the economic difficulties facing American workers today — economic prosperity would thereby be assured.

Illegalizing strikes does not confer purchasing power upon the masses of the people who must buy the goods of American industry. One does not hear of too many strikes in the economically backward countries — but neither do they provide for a high standard of living or general prosperity.

Anti-Labor Measures Ineffective

I should like to devote a few minutes to an analysis of the more frequently mentioned anti-labor measures. It is our judgment that they would not encourage industrial peace. We sincerely believe they would not assist in the solution of the fundamental economic problems which disturb us today. It is our conclusion that they would actually tend to generate industrial strife — to our nation's misfortune.

For example: one charge is that unions are monopolies and therefore either labor should be subjected to the anti-trust laws or that industry-wide bargaining should be prohibited.

It has been suggested that it be illegal for "a union or unions representing the workers of two or more employers to take joint wage action or engage in other monopolistic practices."

We should keep in mind that under the anti-trust laws today it is illegal for any group to set up a conspiracy to control the trade in any commodity or to control prices. A labor union which joins with employers in such a conspiracy is just as liable as the employers.

But apparently this protection is not deemed sufficient.

Our national policy has always insisted on competition with respect to the manufacture and sale of commodities. But we have equally sought to eliminate competition in wage rates, not to foster competition in sweat shop conditions.

When it is urged that a combination of human beings in a labor organization to advance their conditions of work is to be compared with an industrial corporation seeking to gouge the public by joint price policies, the attempt is being made to turn the clock of industry backward. The Thirteenth Amendment to the United States Constitution destroyed the institution of slavery and declared that the labor of human beings could not be considered in the same category as only pieces of property or chattels.

In 1914 the Clayton Act laid down a principle which no one has dared openly to deny in the years since, namely, that "the labor of a human being is not a commodity or an article of commerce."

Fear should properly be entertained today regarding the fostering of monopolies within our economic structure.

The Assistant Attorney General Wendel Berge, in charge of the anti-trust division of the Department of Justice, in a recent speech had this to say on the subject:

"The concentration of economic power in this country is increasing above any previous crest of monopoly in our history. . . . As it stands at the present moment, the American people do not have control of their economic destiny and as time goes on they may lose their freedom of opportunity, if the trend of concentration is not checked."

Mr. Berge made clear the real monopolistic dangers by pointing out:

"The twin demands, 'hands off business' and 'curb labor', have long been the heart of an anti-democratic program of those who favor the corporate state. To say that labor unions should be restrained while the march of monopolies is allowed to continue will result in abandonment of industrial democracy. If industrial democracy is permitted to perish, their proud heritage of political freedom cannot survive."

Another frequently offered suggestion for legislation is that provisions for union security heretofore negotiated through collective bargaining be made illegal.

Union Security Must Be Kept

Union security is neither a new nor a rare feature of American labor relations. Today approximately nine million American workers enjoy the benefits of union security contracts.

A union in its collective bargaining is required by law to make a fair and just bargain for all members of the bargaining unit. It is actually illegal for the employer, through collective bargaining, to make better terms with the union for members of the union than is made for non-members. If the union is required, therefore, to perform its services for everyone, why should not those receiving the benefits of its services also share the obligations and responsibilities of union membership?

Labor cannot forget that opposition to union security invariably has been the program of those employers who seek to destroy unions and collective bargaining. This identity between anti-unionism and opposition to union security is fully borne out both by the records of the LaFollette Committee and by the records of the National Labor Relations Board.

It is my sincere judgment that legislative prohibition of union security would immediately give rise to the resumption of the pernicious anti-labor practices of the past. A wave of industrial strikes would thus be initiated which would seriously injure the public welfare and promote bitterness in our labor relations for generations to come.

One-Sidedness of Wagner Act Denied

A third frequently discussed evil (for which legislation is proposed) is that the Wagner Act is "one-sided." We sincerely take issue with the fairness of this charge.

Prior to the passage of that Act, the rights of the employers and employees were completely out of balance. Employers had the uncontested right to pool their resources and engage in collective action through the formation of corporations. The corporations themselves were permitted to band together for the purpose of presenting a united front to labor on the matter of wages, hours and working conditions. On the other hand, the worker was helpless as an individaul to cooperate with the enormous concentrated bargaining power of the employers.

The inequality which the Act sought to remedy grew out of employer interference with self-organization of employees. Certainly no law is needed to prevent employees from restraining or coercing employers in the exercise of their right to self-organization and collective bargaining.

A good example of the way in which critics of the Wagner Act create false issues can be seen in the so-called plea for "free speech." Many of these critics complain that while an employee enjoys free speech under the Wagner Act an employer does not.

The Labor Board and the Supreme Court have upheld the right of an employer to exercise in full the right of free speech. This includes the right to discuss issues of trade unionism, to attack unions, their objectives, their leaders and their program.

It is only when an employer's speech carries threats of discharge and warns of economic reprisals that the Labor Board holds that an unfair labor practice has been committed. There is no constitutional right to yell "fire" in a crowded theatre and there is likewise no constitutional right to coerce employees through use of economic power into abandoning their union.

Financial Responsibility

Another oft repeated suggestion is that labor unions must be made to assume full financial responsibility under collective bargaining agreements — allegedly similar to that of employers.

This reveals a technique utilized frequently by those who really are not concerned with the goal of industrial peace. An imaginary evil in labor relations is created. A "cure" is then proposed, which if adopted would result in profound injury to sound labor relations and in a weakening of labor organizations themselves.

The specific proposal for union responsibility is based upon an assumption — which is false — that unions and unions alone frequently violate collective bargaining agreements.

It should be realized that every-one of the thousands of arbitration awards annually which uphold union grievances is a decision that an employer has violated a contract. On the record, there are therefore hundreds of proven employer violations for one alleged union violation.

Further, the proposal assumes that unions are in a class apart from employers and enjoy a special privilege under the law.

The plain fact is that unions are suable. There is not a single industrial State in the United States in which a union may not be sued in the appropriate State courts for breach of a collective bargaining agreement.

Anyone who is familiar with the field of labor relations recognizes that a lawsuit is the simplest and most effective way to destroy harmonious labor relationships. Employers and labor organizations with a bona fide desire to live in peace and harmony strive in every way possible to free themselves of legalistic technicalities.

The sheer chaos which would result if a labor organization or employer, instead of filing grievances under the contract, sued in a court of law for violations of the contract, is indescribable.

We are firmly convinced that there is an available path to industrial peace.

But industrial peace cannot be an end in and unto itself. It should be the result achieved through the satisfaction of the needs of our people.

Fortunately for our nation, we have the material resources, the machines, the highly developed skills of the workers and the extraordinary technique of the management, upon which the most advanced and prosperous economy the world has ever seen can be firmly based.

But these factors can easily be dissipated and the golden opportunity lost if we find ourselves plunged into internal discord and conflict.

A realistic understanding of the bread-and-butter needs of American workers, of their yearning for economic security, is essential for any program designed to further industrial peace.

Perhaps a more realistic understanding by labor of the problems of American business is equally essential.

Repression through legislation of any economic group to defeat its legitimate aspirations would be a negation of our American traditions and a free democracy. For this reason, no one can expect any group of Americans to accept without deep bitterness and an unyielding opposition measures deliberately designed — not to meet their just demands of freedom from want and freedom from fear and insecurity — but rather to destroy the only means which they have through which to achieve these very ends.

We profoundly believe that the process of collective bargaining, increasingly developed through more intensified understanding and self-discipline on both sides, is the instrument which a democratic and freedom-loving people must accept for industrial peace.

There is no legislative substitute for the mutual responsibility and cooperative spirit which must be the basis for a sound and peaceful relationship between employers and employees.

The Government's participation should be through an expanded conciliation and mediation service to achieve a maximum of industrial peace within the framework of the American system.

In addition, to facilitate the formulation of national patterns and national policies, we earnestly recommend frequent meetings of representatives of our country's leaders of industry and labor. Certainly these are the men who must share the responsibility and who have the practical knowledge necessary for the appropriate solutions.

I assure you that any such program would receive the most cooperative and sympathetic response from the leaders and millions of members of the CIO.

NYSE Board of Governors Scheduled to Vote on Permissive Incorporation Amendments Today

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members, opponents of the question declare, pointing out, however, that if the Board should now decide to kill the proposition at least the proponents can't say they didn't have ample opportunity to present their side of the case.

Some last minute interest in the question was stirred up only yesterday with publication in the press of a report that James Day, President of the Chicago Stock Exchange, had asked Walter Maynard for an apology for certain statements referring to the Chicago Stock Exchange which were printed in the Maynard Committee's second pamphlet on the subject of permissive incorporation and that Mr. Maynard had obliged with a statement clarifying his position.

Bone of Contention

The section of the pamphlet to which Mr. Day apparently objected, according to the references made in the press, follows: "The experience of the Chicago Stock Exchange offers an illuminating example of what can happen: A dangerous precedent was established by first admitting a corporation with 1,500 stockholders, and later a corporation with 3,000 stockholders. Following this, a member corporation of modest size merged with a large investment banking house, and the Chicago Stock Exchange was forced to admit this large organization of 8,600 stockholders."

Mr. Day, a press report said, labeled this statement as false and detrimental to the Exchange and the corporate firm concerned. The Chicago unit was reported in one press account as having claimed that it had never been forced to admit any organization, that amending the regulations was "one of those half-truths," and that the amendments had been changed to permit the Mellon Securities Corp. to join when it developed that the officers and directors owned little stock but did actually control the operations of the corporation.

Mr. Maynard himself, however, said that a telegram sent by Mr. Day had only asked whether the statement in the Maynard Committee pamphlet referred to a particular corporation which was named. He revealed, too, that he had sent a reply clarifying the position of his committee on the matter.

Maynard Statement

Almost simultaneously, too, the Maynard Committee itself issued a statement pointing out in connection with its recently issued leaflet to New York Stock Exchange members stating that the Chicago Stock Exchange invited its corporate members to join, that the applications of its corporate members were passed on individually by the appropriate committee in the usual course of business and that the relations of the Chicago Stock Exchange with its corporate members have been entirely satisfactory.

Four other points were made in the pamphlet issued by the Maynard Committee which the Committee felt worked against permissive incorporation. The first of these is that the partnership form of organization provides better protection for the public. "The high degree of public confidence enjoyed by member firms would be jeopardized by the introduction of limited liability to the commission brokerage business," the pamphlet states. When dealing through a partnership, the public is not only protected by the resources of the member firm, but by all the outside assets of each partner. In a service organization such as the New York Stock Exchange, the interest of the public should come first. During the last 46 years, Stock Exchange members have had a solvency record of 99.71%, a record far superior to that of commercial firms or banks.

Disunity Feared

The second point questions the advisability of having the membership of the Exchange made up of both corporations and partnerships. "Disunity among the members would result," the pamphlet states, "for is it not logical to assume that problems will arise in the future, the settlement of which will necessarily favor one side or the other, with consequent dissatisfaction to one group?"

The next point is put first in the form of a question, "Who would benefit by incorporation?" Replying to its own query, the pamphlet goes on to say that "many firms favoring permissive incorporation state that they will not incorporate themselves. 75-80% of the member firms outside of New York, supplying a large proportion of the Exchange's business, oppose the amendments. Thus the membership is asked to adopt this radical change in the character of a successful institution for the benefit of comparatively few firms."

A Dangerous Word

The pamphlet also makes a point of the fact that the word "permissive" is itself a dangerous word. "Great stress is laid on the fact that under the amendment only the firms that elect to will incorporate," the pamphlet states. "True, but the admission of only one corporation will set in motion the whole train of objections listed in our leaflets. The door will be open, and those interests who openly state now that the proposed amendments do not go far enough will be in a position to press for further relaxation of membership standards. As stated (above), the Chicago Stock Exchange admits corporations. Their original amendment was tightly drawn, but with the passage of time it was liberalized, and now corporations with thousands of shareholders are permitted to join. It is this committee's opinion that if the amendments are approved, many unpredictable developments will ensue to the detriment of the Exchange and its member firms."

Summary

In summary, the pamphlet states that "because of the moral and financial value to the public and the Stock Exchange community of the unlimited liability of partnerships; because of the far-reaching legal and political implications of incorporation; because of the possibility of further lowering standards of Exchange membership once the initial step is taken; because some Exchanges permitting corporate members have concluded that it is an unsatisfactory arrangement—for these and other reasons cited in a previous folder, the conclusion must be that it would be to the disadvantage of the industry to admit corporations to membership in the New York Stock Exchange."

The last pamphlet published by the Ames' Committee which favors permissive incorporation gives what the Committee feels are three reasons why in the opinion of the Committee the permissive incorporation amendments should be adopted. We quote:

"Reason 1—The value of membership in the New York Stock Exchange will increase — Volume will grow—Markets will broaden —New listings will be stimulated. Reason 2—The Amendments will make for financially stronger firms—Help in the raising of capital—Facilitate the establishment of reserves against the very real risks of our business. Reason 3—The Amendments restrict corporate members to precisely the same types of securities firms as now constitute the Exchange Membership—Effective controls are assured."

In defense of the first "reason," the pamphlet states in part: "The experience of the Boston, Philadelphia, Chicago and Los Angeles Exchanges showed conclusively that, in every case, admitting corporate members increased the volume of business. There are more than 1,000 incorporated securities firms in all parts of the country including some of the finest firms in the business. Some of these firms would buy seats or obtain the services of present members to represent them. They should not be excluded."

In defense of the second "reason," the pamphlets also states in part: "Congress has enacted tax laws which can be of benefit to our industry. Under the corporate tax law a corporation may build back lost capital and establish reserves out of earnings for the purpose of meeting the reasonable needs of the business. Reserves are extremely important to specialist firms or others who must maintain orderly markets under all conditions.

"From the standpoint of public confidence unlimited liability is a purely academic safeguard in the case of financially sound member firms where substantial outside assets do not exist. The close control of the Exchange, including the requirement of a specified ratio of liquid capital, affords far greater protection to the public than does the partners' technically unlimited liability.

"With the retirement or death of principal capital partners, there will be a constantly increasing need for capital in our business."

Likewise in defense of the third "reason," the pamphlet states, "The control of the Exchange would be directly over the individual member or allied member who would be a voting stockholder of the member corporation. The individual voting stockholder would be obliged to agree in writing to this control. The by-laws, stock certificates and any agreement between a member corporation and its stockholders would have to be acceptable to the Exchange. Thus the control of the Exchange would be just as direct and just as effective as the control it now has over the general partners of a member firm.

"Since each stockholder of any class of stock in a member corporation must be approved by the Board of Governors before he becomes a stockholder; since all voting stockholders must be actively and principally engaged in the business and since the Amendments are so strict that the Board of Governors cannot approve a member corporation unless 'a primary purpose of such corporation is the transaction of business as a broker or dealer in securities.' There can be no more danger of undesirable people joining the Exchange than there is today."

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