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Canada's Critical Exchange Problem

By MELCHIOR PALYI

Dr. Palyi points out declining Canadian foreign exchange reserve, arising from larger spending by Canadians abroad, lower gold output, increased interest and dividend payments in U. S., as well as sales to "soft money" countries. Says there is no end in sight of shortage of U. S. dollars, and looks for tightening of Canadian exchange restrictions and possible devaluation of Canadian dollar. Sees continued world chaos hampering recovery.

Canada's "gold reserve" is held largely in New York, in the form of U. S. dollar balances. After V-J Day, this reserve reached some $1,500 millions. A year later, it was down to about $1,200 millions. Since, the rate of decline has accelerated. It estimated that the balances here declined altogether by more than $600 millions; at this current rate it would take little more than another year to wipe them out.

Dr. Melchior Palyi

The trouble is due to a highly unfavorable turn in Canada's international accounts. Her **tourist business** to begin with, has reached record highs—on both sides of the ledger—with the result that it brought last year a favorable balance estimated at $85 millions only, as against $140 to $170 millions in the late thirties. Increasing cost of travel in the Dominion, especially since last July's dollar-revaluation, discourages the tourists; so does the

(Continued on page 1141)

German Economy in State of Pernicious Anaemia

By DR. WILHELM ROPKE

Institute of International Studies, Geneva; Author "The German Question," Etc.

Eminent European political economist asserts repercussions of current gigantic German "disaster" profoundly affect entire world. Holds she has practically no economic order, with life reduced to primitive barter transactions and people living off each other. Terms present conditions as "Nazi collectivist system in articulo mortis," with disintegration brought about by socialization. Concludes administrative reform with merger of zones, even in case of Russian withdrawal, would be abortive without radical monetary and overall economic reform, and without restoration of free market economy to release forces of production along American democratic lines.

GENEVA, SWITZERLAND—Everybody will understand why there is hardly any more gripping world economic problem than that of withering Germany. Misery and starvation of a nation of 70 millions is never a light affair, but here we have to do with one of the leading industrial countries of the world which has been the center of the economic structure of Europe. Now we know everywhere in Europe what it means to wipe out this economic potential of Germany. It is hardly an exaggeration to say that not only politically but also economically it is true what the New York "Herald Tribune" said in a leader of the 3rd of January: "The German problem is the European problem, and the European problem is the world problem." The repercussions of this gigantic disaster are being felt everywhere in Europe and felt most intensely. Switzerland is going through a dangerous economic and social revolution, Holland finds she is deprived of her hinterland and of the main customer for her magnificent harbors, and everywhere it is the lack of the Ruhr coal which just makes all the difference. But it would be folly to expect regular coal deliveries from a Germany whose economy is otherwise sick to the core. And that is exactly what it still is now after almost two years of occupation.

Wilhelm Ropke

Explanations for Economic Disease

But of what sort is this economic disease of Germany? This is a most puzzling question for the economic diagnostician. The German has been blamed for many things, but not for lack of industry, thrift, resourcefulness and initiative. Neither is it possible to explain the economic standstill by the war and Potsdam destructions of German industry, for it is notorious that actual production remains much below even the ca-

(Continued on page 1136)

An Official Witch Hunt

N. Y. State Attorney General's questionnaire to non-Exchange dealers and brokers discussed. Characterized as unwarranted fishing expedition, unauthorized by statute. Failure to specify subject of inquiry renders proceeding defective. Wholesale inquisition evidence of bad faith and calumny against securities field. Advises withdrawal of questionnaire.

For sheer rapacious disregard of the right to privacy and to be safeguarded in the freedom of doing business, the recent questionnaire, sent out by the Attorney General of the State of New York to several hundred Upstate Security Dealers who are not members of an Exchange, takes the brass ring.

We have seen brazenness in our time, but this attempt to place a segment of the dealers and brokers upon the griddle, in our opinion, without warrant in law, just about takes our breath away.

The questionnaire (reprinted below) characterizes itself as a "General Questionnaire" and indicates that it finds authority for its circulation under Article 23a of the General Business Law.

In effect, that Article, Section 352, Subdivision 1 thereof, provides that where there has been fraud or violation of law in securities transactions, the offender may be inves-

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Pictures taken at the 23rd Mid-Winter Dinner of the Investment Traders Association of Philadelphia, and at NSTA Tri-City Meetings appear in Pictorial Section.

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Taxes, National Budget and Debt

By HON. FRED L. CRAWFORD*
Member House of Representatives, Michigan

House Banking and Currency Committee member, citing continuance of 1039 component departments with little reduction in tremendous wartime expenditures, declares possible need for vast domestic and international commitments must be explained to voting public. Says manner of debt management will determine buying power of all savings, volume of employment and production, price level, and effectiveness of wages. Holds five or six billions can be taken from unnecessary agencies rather than from national defense items.

Last summer, the Congress and the President approved what is known as the Legislative Readjustment Act of 1946. That Act contained provision for the creation of Joint Committee on Legislative budget consisting of membership of the House and Senate Appropriation Committee, House Ways and Means Committee and the Senate Finance Committee. This is the first provision we have had for the presentation of a so-called legislative budget. Pursuant to the direction contained in that provision of the law, members of the Joint Committee convened and selected Representative John Tabor, of your great State, as the Chairman and Senator Stiles Bridges as its Vice-Chairman. I am not referring to the Joint Committee on the Legislative Budget. The Act provided that the report by this Joint Committee must be made by Feb. 14 of the year under consideration. The Act also provides that the Committee shall give due consideration of the budget recommendations of the President, previously submitted to the Congress, of course. Thus we have before us the present report of the Joint Committee which brought forth the discussion now going on in House and Senate and in discussion generally, with regard to the reduction of the President's budget; the $6 billion as supported by the House this last week and as against the $4½ billion which it now appears the Senate will approve instead of the $6 billion which the House did approve.

F. L. Crawford

Now we should also have in mind that the Federal Government at the present time—and this information is taken from a study just completed by the Joint Committee of Reduction of Essential Federal Expenditures, with reference to the number of principal units, in the Executive Branch. The survey shows that we have 1039 component departments of government. The total does not include some 46,865 subordinate units of government of which some 41,000 are post offices, 526 state and district offices, and other miscellaneous ones. And, reading from Senator Byrd's Committee report, the conclusion is inescapable that the cessation of hostilities has brought little reduction in the tremendous war expenditures of the gov-

(Continued on page 1148)

*Transcript of an address by Rep. Crawford before Economic Club of New York, Feb. 25, 1947.

By ROSWELL MAGILL*
Former Under Secretary of the Treasury

Former Treasury official points out expenditure reduction is first step in tax and debt reduction. Argues President's budget figures can be trimmed not by cutting down government activities but by eliminating wastes and instituting economies. Holds budget total could be kept close to $30 billions. Urges tax reforms which will promote and not impede free enterprise system and calls for revision of surtax rates with maximum rate of 50%. Scores double taxation of dividends.

The question is whether the Federal fiscal system can be reformed to enable our free private enterprise system to function successfully. During the past 15 years, we have taken a good many steps along the road toward a planned economy. Our present tax system is well framed for that end. Great Britain has gone farther along the road than we have, and we are fortunate in being able to contrast today some of the results of her policies with the accomplishments of our own. The fiscal system, Federal expenditures on the one side, and the tax structure on the other, is important to the citizen, not only because of its impact on him personally, but because of its force in shaping business decisions and indeed the character of the economy. We need to be very sure that the premises of our fiscal decisions are sound.

Roswell Magill

Only the Economic Club of New York would wish to be confronted with so sober a topic. It bristles with figures, but that is not the worst of it. Which of you has enough data at his command to enable you to reach an informed judgment as to what the Federal expenditure should be for any one item in the budget, let alone what the total should be? Or, to take the other side of the Treasury statement, how much revenue should be raised by the income tax or by the excises, and what should the rates be? Should income tax rates be reduced, or should the debt be paid off instead?

These are all tough questions, and it is hard to make a discussion of them fascinating. Yet in the last analysis, we have to decide them as best we can. We have learned that we cannot simply leave them to our experts in Congress. We can stump the experts, but in this case, it will do us no good.

I.

The keystone of Federal fiscal policy is the level of expenditures. Before we can discuss the tax system, we must decide how much Federal expenditures are to be. Taxes are certainly not enacted for themselves alone, but to meet the necessary costs of the Government. How much should those expenditures be? How can any citizen or indeed any Congressman tell? Much we accept, perforce, the determinations and estimates of the President and the Director of the Budget?

(Continued on page 1149)

*An address by Mr. Magill of the law firm of Cravath, Swaine & Moore, before the Economic Club of New York, Feb. 25, 1947.

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"Blue Chip" Stocks Outperform The Averages

By HENRY WARD ABBOT

Analyst's study of past record shows that annual return from above-$150 shares exceeded Dow-Jones Industrial Average by 73% since 1926, and by 54% since 1937. Their superiority to stocks selling under $5 is also indicated. Cites surprisingly wide variation between individual issues comprising the high-priced group; and resultant need for diversified holdings.

Henry Ward Abbot

When a common stock sells above $150 a share, it is often believed that it represents an equity in a corporation that has reached its maturity and therefore lacks substantial growth possibilities. Such stocks are often regarded as rich men's "Blue Chips" that will probably give a steady income return, but don't offer much in the way of further market appreciation on a percentage basis.

It is generally conceded that it is difficult to select stocks that will outperform the Dow-Jones Industrial Average over a period of years. Largely out of curiosity, the writer checked up on the subsequent dividend and market performance record of every listed industrial common stock selling above $150 a share in January, 1926, as compared with the record of the Dow-Jones Industrial Average during the same 21 years. The results are quite surprising. The 19 members of this "Blue Chip Club" have shown an average annual return of 9%, as compared with only 5.2% for the Dow-Jones Industrial Aver-

(Continued on page 1151)

Business Prospects in 1947

By Q. FORREST WALKER*

Economist, R. H. Macy & Co., Inc.

Basing favorable outlook on untapped reserves of purchasing power, easy credit conditions, better labor conditions and high rate of activity in durable goods industries, prominent retail store economist, however, points to factors leading to buyers' market, such as distorted price relationships between raw materials and finished products, and unequal spreads in incomes of different segments of the economy. Holds some moderate readjustment will occur in business activity, resulting in temporary decline from level of 1946.

Replacement booms are the normal aftermaths of great modern wars. Our economic achievements in 1946 seem to indicate continuance of the typical post-war pattern. Our farms and factories produced about 50% greater physical output than in 1939 and only about 15% less than in the record war years. Civilian employment reached nearly 58,000,000 which was 10,000,000 more than in 1939 and several million more than in the war years. Millions of men and women, released from the services, were absorbed into industry and trade with a minimum of economic disturbance. Unemployment was at the minimum. Despite all the difficulties, the transition proceeded more smoothly than many people had expected.

Q. Forrest Walker

The financial aspects of the transition were also impressive.

(Continued on page 1140)

*An address by Mr. Walker at a meeting of the Northeastern Dairy Conference, Syracuse, N. Y., Feb. 18, 1947.

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Nationalization No Help in British Coal Crisis

By A. M. SAKOLSKI

Dr. Sakolski reviews background of present British coal crisis and points out its seriousness not only to British economy but to our own international and financial security. Holds nationalization of mines has not helped situation and greatest need is introduction of improved technology and efficiency in British mines to cheapen cost of coal. This, he maintains, will require large new capital investment, which British Government may not be able to make. Advocates immigration of miners to remedy present coal shortage.

What Britains commonly term "The Coal Question" is not a new problem. The phrase, "The Coal Question," was originated in 1865 by the prominent English economist, M. Stanley Jevons, when his famous book with this caption was first published. At that time Great Britain was nearing the crest of her economic and political greatness, and much was ascribed to the richness and cheapness of her coal resources. But the calculating and far seeing Jevons struck a note of warning. As Britain's greatness was largely due to her coal industry, so any serious decline or loss of superiority in that industry might mean the beginning of the end of British economic power and a handicap in the international struggle for political and industrial dominance.

A. M. Sakolski

Prof. Jevons Sounds a Warning

Jevons argued that it was not merely a matter of approaching exhaustion of Britain's rich coal seams, but rather a price question. Because lower levels must be mined and more labor and capital applied to producing coal, the price would steadily rise, and thus would place Britain at a disadvantage in competing industrially with other coal-producing nations, particularly the United States, whose vast coal resources were then scarcely tapped. As Jevons, at the time, could foresee no substitute for coal as a fuel and power resource, he regarded his predictions as inevitable.

Jevons, was sufficiently renowned as a statistician and economist when he wrote "The Coal Question" to command serious attention. It is reported that Gladstone, then Prime Minister, took note of it, and as one who is told of his approaching death, set about to prepare the nation's household for the impending situation. A Royal Commission was appointed in 1866 to investigate the problem, but in spite of careful study, little positive action resulted. In 1901, at a time when, because of increasing mining costs and lower productivity, the British coal mining industry had already reached a point of diminishing returns, another Royal Commission was appointed to investigate the matter, but with similar unsatisfactory results.

And so the situation in the British coal industry went from

(Continued on page 1142)

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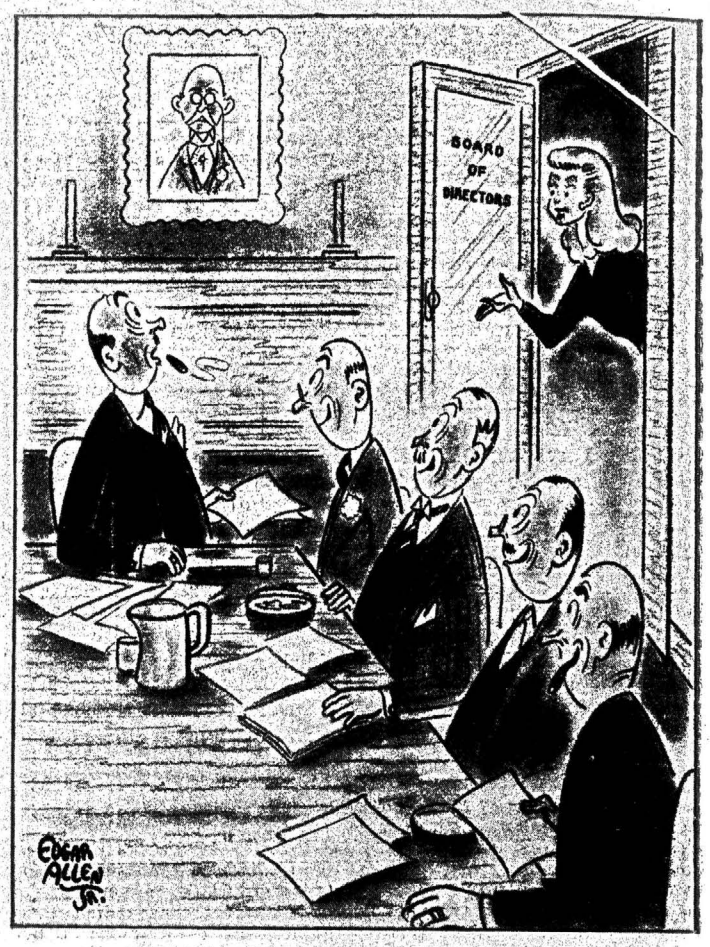

"Your Mother is on the phone, Mr. Prescott—she says it's cold today and did you wear your heavy underwear?"

New York Brokers Almost Equally Divided on Question of Saturday Closings of N.Y.S.E.

Survey reveals sentiment in favor of Saturday closings might be running around three-to-two. View advanced that banks, aware they may have to keep skeleton staff on hand Saturdays to protect their interests in event of a bad market in listed securities, might exert strong pressure to get Exchange to close Saturdays. Brokers believed inclined to favor adding half hour to trading time. Feeling general commission rates will be raised.

Opinion among New York City brokers on the question of year-around Saturday closings of the New York Stock Exchange is almost evenly divided, according to a somewhat sketchy though, we feel, nevertheless representative survey of the field on the subject. There is undoubtedly more sentiment in favor of the Saturday closings but the opposition to a long week-end of market inactivity is really very strong, the data shows. The ratio of feeling on the subject might be running somewhere in the vicinity of three-to-two, three in favor, that is, to two opposed. It is very possible that opinion hasn't crystallized definitely as yet but at the moment anyhow it does seem as though the three-to-two ratio of sentiment in favor prevails.

The question of Saturday closings has become suddenly important to the brokerage industry because it was only early this week that Governor Dewey signed the bill permitting the Saturday closings of the banks in New York State. Some evidence of the pressing nature of this issue is seen, too, in the fact that the Board of Governors of the New York Stock Exchange plans to take up the matter at its meeting next Thursday.

With almost half of the brokers approached unable to state positively at this time just where they stand on the matter of increased commission rates, another question being currently discussed in the industry, it would appear that the feeling is running two-to-one or thereabouts in favor of higher commissions. Feeling is running strongest, however, for longer trading time, another proposition now receiving the attention of the Exchange staff and brokers generally. At present writing, it would look as though there are something like five brokers in favor of extending trading time a half-hour each day to three who are opposed.

Both the large houses and the small firms stand in just about identical positions, it seems, rela-

(Continued on page 1164)

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

Don't try to count the 1948 budget dollars until Congress has adjourned. There isn't and won't be any agreement between Senate and House. The House will cut appropriations even deeper than $6 billion, will propose that agencies be given certain fixed amounts and told to do their work or yield to others. The Senate will purport to be scientific, will strive to coordinate fiscal needs with activities, will hike the House allowances. Such haggling will keynote the entire session. The end result can't be predicted until Senate and House compromises on one or two major appropriation bills are negotiated.

* * *

The outlook on continuing Civilian Production Administration controls over industrial and commercial construction has been obscured by the House vote rescinding $2,400,000 of CPA funds. If this economy survives the Senate and President, CPA will fold up not later than March 31. Whether building restrictions would terminate with the agency or be continued by the Housing Expediter isn't yet apparent.

* * *

Republican leadership will continue to suffer because of the widening chasm between the GOP's most publicized Presidential aspirants—Taft and Vandenberg. Consciously—or otherwise—the two are building their political platforms of conflicting planks. They're at odds on taxes, tariffs, international collectivism, Lilienthal, and other major issues. Necessarily, their avowed philosophies nurture disunity in Republical ranks.

* * *

Signposts point toward early rubber legislation of a make-shift character. Congress can be exected to vote continuation of government rubber buying for a limited period after March 31 pending formulation of a permanent project for coordinating operations in natural rubber and maintaining the synthetic industry on a subsistence basis.

* * *

The outlook for a new long-term Treasury issue remains obscure. The American Bankers Association has OK'd it. Insurance executives are pressing for such paper. Investment bankers early next month will tell Secretary Snyder they, too, echo the insurance men. But there's nothing obscure about one fact—if such an issue is authorized it will be accompanied by a Treasury policing system calculated to guard the bonds from commercial bank acquisition.

* * *

Watch the trucking companies fatten on the boxcar shortage! Last November and December, trucks rolled more goods than ever before in history. And transportation specialists here warn that's just the beginning.

* * *

Boxcar scarcity may be minimized, can't be immediately erased so long as high industrial

(Continued on page 1144)

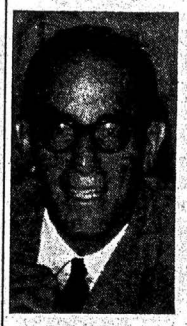
Observations . . . .

By A. WILFRED MAY

PRELUDE TO THE MOSCOW CONFERENCE

None but the boldest optimist could expect the Moscow Conference, beginning ten days hence, to write a complete treaty with Germany. But surely a better "buildup" could normally be expected than is now occurring under the Soviet's renewed barrage of vituperative attacks on the good faith of her "Allies".

For example, "Red Star", the Russian Army's newspaper, accuses John Foster Dulles and other Americans who are proposing a federation of German states (merely following United States policy set forth by Secretary Byrnes at Stuttgart last September), of instigating a new war. "Pravda" the same day carries an article by President Otto Kuusinen, President of the Karelo-Finnish Republic and former secretary of the Comintern, warning that the American trade plan for reciprocal tariffs is just a plot to make Europe economically dependent on the United States. This slightly altered, but not new, "line" continues on with the charge that the United States is assaulting the sovereignty of eastern European countries, is planning a "western bloc" of European states, and is plotting toward creation of a United States of Europe.



A. Wilfred May

Sunday last "Pravda" saw fit to play once again its old theme song of "who won the war." As broadcast on the Moscow radio, the peoples of the world are reminded that the Soviet Army won the war single-handedly, that the Western Armies landed on the Continent only after it was evident that the Soviet forces had already overcome Germany, and after it was apparent that they could liberate France without external help.

The aims of British socialism are disparaged just as sharply as those of American capitalism. In a bitter attack, this time in the newspaper "Izvestia", even the British socialist plan for the Ruhr is castigated as breeding "private owners and monopolists" as the bosses of the German economy, and restorers of her war potential.

The Acheson Broadside

But of course the high point of Moscow's perversity has been reached in the Dean Acheson incident, with the irony of her making a heated issue over the Under Secretary's thoroughly mild and conciliatory remark in replying to Senator McKellar, in the face of the endless charges issuing from Moscow about United States plotting for capitalist warfare and Russian encirclement.

In view of the Russian practice of context-extraction, the text of the Under Secretary's response to Mr. McKellar's question whether "with the bomb Russia might take the remainder of the world," is interesting. Mr. Acheson replied: "Senator, I don't think that is a question which is capable of being answered in the way in which you ask it. I am quite aware of the fact that *Russian foreign policy is an aggressive and expanding one.* I think that one of the great efforts which everyone is making in the United Nations is to attempt to find means of solving problems of that sort. If those means and agreements can be found, then there is hope that there will not be major clashes. If they cannot be found, then I think the situation is very serious". Surely it seems significant and ominous that a chief conferee on the eve of an epochal diplomatic meeting called for the working out of cryingly-needed solutions, should take the initiative in picking out the above italicized words to create an international incident via two sharp notes.

But of greater significance than the semantics argument sur-

(Continued on page 1152)

Camille Gutt to Confer With Hugh Dalton

Camille Gutt, General Manager of the International Monetary Fund, is expected to fly to London on March 22 for the purpose of conferring with Britain's Chancellor of the Exchequer, Hugh Dalton. Following this mission, the purpose of which is cloaked in secrecy, Mr. Gutt is scheduled to visit several other European capitals.

Spanier a Director

William A. Spanier, President of Bennett, Spanier & Co., 105 South La Salle Street, Chicago, Ill., has been appointed a director of Higgins, Inc., New Orleans 19, Louisiana.

CIO Gets Contract From First Wall Street Brokerage House to Sign Up With a Union

By EDMOUR GERMAIN

Agreement with Herzfeld & Stern provides for general salary increase of $5 a week, bonus, and increased vacations. Deadlock between A. M. Kidder & Co. and United Financial Employees, AFL, broken as firm offers to reopen negotiations leading to a contract. Meeting between firm and union scheduled for tomorrow.

For the first time in the history of all of Wall Street, a brokerage house, Herzfeld & Stern of 30 Broad Street, signed a contract this past week with a labor union, the Financial Employees Guild, CIO.

The contract provides for a general salary increase of $5 a week, retroactive to Jan. 1st; an annual bonus of 7½% of net profits before partners' drawings; increased vacations, from one week after six months up to three weeks after five years; maintenance of membership with check-off; grievance machinery, and seniority rights.

Brown Brothers Harriman of 59 Wall Street, also this past week, signed a contract with the same union, covering their guards and messengers, providing salary increases of 20% and more, retroactive to Nov. 1, 1946.

A. M. Kidder & Co. has notified the United Financial Employees, AFL, that it desires now to reopen negotiations with it for a contract and representatives of both the firm and the union have agreed to meet tomorrow. The firm and the union had been in a deadlock with the firm refusing to consent to an offer of arbitration made by the union.

A. M. Kidder's letter to the union stating the firm's desire to reopen negotiations was dated Monday, the same day the union sent out a form letter to the Association of Stock Exchange Firms and individual brokerage houses pointing out that "irreconcilable differences exist today

(Continued on page 1153)

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Permanent National Management-Labor Council Proposed by CED

Body would report regularly to administrative and legislative branches. Opposes compulsory arbitration by super-boards, as retarding collective bargaining, but would require that differing interpretation of existing agreements be mediated. Calls for decentralization of Federal mediation service. Decries agitation by minority unions.

The creation by law of a permanent national management-labor council to make continuing studies of industrial relations was recommended in a statement of national policy made public on Feb. 24 by the Research and Policy Committee of the Committee for Economic Development.

Under the CED's proposal, the council, whose members would be appointed by the President, subject to confirmation by the Senate, would work with a greatly strengthened Federal Mediation Service, which the CED also recommends be established.

Paul G. Hoffman Eric A. Johnston

The proposed council would be required to report annually to the President on the state of industrial peace throughout the nation, to confer regularly with the Secretaries of Labor and Commerce and the Chairmen of the Senate

(Continued on page 1162)

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Attaining Maximum Purchasing Power

By EDWIN G. NOURSE*
Chairman, Council of Economic Advisers

Picturing merchants as purchasing agents of consumers, Dr. Nourse urges distribution costs be kept down so that maximum sales take place within income limits. Wants prices stable and competition unhampered so high volume production can be maintained. Attacks tariffs and predicts a buyers' market in 1947.

1947 is the year in which the country passes definitely from a sellers' market to a buyers' market. If American business can make this transition with orderly and skillful price and cost adjustments, then we should have some years of well-sustained prosperity. If business and government do their parts of the job very conscientiously and intelligently, we may even escape altogether the extreme booms and severe depressions that we have known in the past. We may actually demonstrate the power of private enterprise and democratic government to produce the highest type of national well-being.

Dr. Edwin G. Nourse

In the shift from a sellers' market and wartime spending by government to a buyers' market and the operation of normal supply and demand forces, the merchant returns to a position of prime importance. If the objectives of the Employment Act of 1946 are to be realized, maximum employment at high efficiency to produce maximum production will give us an unprecedented volume of goods and services to pass through the hands of merchants—and ultimately retail merchants—into the hands of the final consumer. Only when this is done fully and steadily will we attain the third objective of the Act, namely maximum purchasing power. The Council therefore, and the country, are deeply concerned in the success with which your efforts are crowned in the next few years.

In a book which I published a few years ago, I described the retail merchant "as being in fact the purchasing agent for the housewife and for every other individual who seeks to command as many satisfactions as he can from his all-too-meager pay envelop or salary check. The merchant's professional attainment," I suggested "is to be measured by his ability to find cheaper sources of supply or to devise more economical means of assembling and distribution."

Sales Policy

You have heard, as I have, a great many people saying that in the years just ahead you have the greatest selling job which has ever been laid upon you. You can see that I believe this to absolutely true. But I venture to caution you as to the way in which the statement is to be interpreted. Some people seem to imply that the way to meet this task is to redouble or perhaps triple, even quadruple, sales effort and expense. This seems to me a sort

(Continued on page 145)

*Address by Dr. Nourse before the annual meeting of the American Retail Federation, Wash., D. C., Feb. 25, 1947.

Contribution of Full Employment And Production to World Stability

By LEON H. KEYSERLING*
Vice-Chairman, Council of Economic Advisers

Holding full employment and prosperity in U. S. are essential to permanent peace, Mr. Keyserling points to dependence of other nations on our industrial production and foreign trade. Lays our depression to inability of our home market to absorb output, and calls for foreign trade as a by-product of our domestic economy. Sees equitable distribution as factor in full employment and urges proper timing of flow of production and income. Denies government planning under Employment Act of 1946 is totalitarianism and outlines work of Economic Advisory Council.

Let us define full employment to mean continuous economic prosperity here in America—with our vast resources of men, money and materials kept constantly at work. Full employment throughout the world is too big a topic for one evening, although, of course, full employment in America will favorably affect economic conditions everywhere. And let us define world stability to mean permanent peace in the world generally. This is close to the same thing as permanent peace for us here in America, because no one any longer believes that serious and widespread warfare could arise elsewhere without affecting us.

Leon H. Keyserling

In short, my subject really boils down to a discussion of the relationship between maintaining prosperity in America and maintaining peace for America. It boils down to the proposition that another serious depression in America — aside from its enormous economic and social costs—would gravely endanger our prospects for unduring peace.

This limitation of my subject does not bespeak a narrow or selfish or shortsighted provincialism. On the contrary, everything I have to say will illustrate the close relationship between prosperity at home and improved economic conditions in the rest of the world; between peace for America and reasonable content-

(Continued on page 1154)

*An address by Mr. Keyserling before Ninth Annual National Farm Institute, Des Moines, Iowa, Feb. 15, 1947.

The New Indonesian Republic

By HENDRIK DE LEEUW

Author of "Crossroads of the Java Sea," and "History of Colonies," etc.

Political economist asserts present agreement for establishing Indonesian Republic, in both failing to keep Empire intact and in dissolving 300 years of Dutch colonization, is seemingly "a masterpiece of compromise." The new commonwealth will constitute a free association of self-governing parts, tied to the Queen by flimsy threads—resembling Great Britain's relationship with Canada and Australia. Mr. De Leeuw anticipates considerable tension and mutual distrust.

Thousands of Netherlanders are still kept interned in Indonesia, while an even greater number of armed Japanese infest the islands. Not only have these Netherlanders been unable to communicate with their families, but the Japanese troops commanded by Japanese officers who have added to the staggering problems confronting the Dutch in the homeland. When over a world-wide radio network from London, in 1942, Queen Wilhelmina enunciated her ideas on the establishment of a commonwealth, in which the Netherlanders, Indonesia and the Dutch West Indies would participate equally, she laid the foundation-stone for present day none-too-peaceful events. Leading to the establishment of the Indonesian Republic right after the cessation of hostilities against Japan, the situation finally crystallized in the present agreement, said by many to be a masterpiece of compromises. This agreement, ratified by the State General at the Hague, does not only keep the Queen's empire intact in a fashion, but it seemingly dissolves the three hundred years old Dutch colonization in the fabulous Indies.

Hendrik De Leeuw

The Indonesian Defiance

When the Japanese surrendered, the Indonesians set up an Indonesian Republic and defied the Dutch to take the Indies back into the empire. As there were not sufficient Dutch troops in the

(Continued on page 1139)

Britain Faces Her Difficulties

By LORD INVERCHAPEL*

British Ambassador to United States

Lord Inverchapel recites Britain's wartime sacrifices and points out, despite sufferings and difficulties, people are determined to institute social and economic reforms. Says a planned economy was foreshadowed under Churchill regime and recovery progress has been made, despite difficulties, since Labor party came to power. Gives assurance of British adhesion to United Nations program for expanding world trade, and cites advantage to British Commonwealth and Empire in promoting multilateralism in commercial relations. Decries gloomy, defeatest talk.

I want to start by saying something about what is going on in Britain, because I do not think that either the problems which face us, or the remedies which we are attempting to apply, are adequately understood by the American public. Small wonder that this should be so. Our circumstances are different.

Lord Inverchapel

In order to show things in their proper perspective, I take the risk of wearying you by recalling to you the changes which have taken place in Britain's economy during the last eight years.

In 1938, which was the last normal year of peace, we enjoyed a high standard of living compared with most other countries, although that is not saying a great deal, for there were at that time one and a half million workers without jobs. But on the whole the standard of living was rising and there was a reasonable general level of prosperity subject, of course, (and this is important), to the booms and slumps which were so unhappy a feature of those days.

Our economy was based upon large imports, consisting mostly of

(Continued on page 1143)

*An address by Lord Inverchapel at Johns Hopkins University, Baltimore, Md., Feb. 21, 1947.

World Bank Presidency Decision Impending

WASHINGTON, Feb. 26, (Special to the "Chronicle")—In response to questioning at a press conference today concerning the personnel status of the World Bank, Secretary of the Treasury Snyder said that appointment of the new President would be announced "within a few days." In well-informed circles it is believed that the conditions which John J. McCloy set forth as prerequisite to his acceptance of the position, have been met; and that the fact of his appointment as President, and of Eugene Black as Executive Director, to succeed Emilio Collado, the present incumbent, will be announced within the next 24 hours.

It is also understood that prior to the meeting of the Board of Governors later this year, action will be taken to have the Executive Directors serve only part-time, rather than continuously as at present.

The post of Vice-President of the Bank, left vacant in consequence of the recent death of Harold Smith, is not likely to be filled.

Financial Follies of '47 Expected to Draw 1,000

More than a thousand leaders of industry, finance and government are expected to attend the 1947 edition of "The Financial Follies" to be presented on March 1 by the New York Financial Writers' Association, Inc., according to an announcement made by Franklyn B. Dezendorf, President.

Among those expected to attend the show, which will be preceded by a dinner, are Nelson Rockefeller, former Assistant Secretary of State and Chairman of Rockefeller Center, Inc.; Eddie Rickenbacker, President of Eastern Airlines; Robert Young, Chairman of the Alleghany Corporation and Chesapeake & Ohio Railroad Co.; Emil Schram, President of the New York Stock Exchange; Allan Sproul, President of the Federal Reserve Bank of New York; William McChesney Martin, Director of the Export-Import Bank and former head of the Stock Exchange; Elliott V. Bell, New York State Superintendent of Banks; Representative Eugene J. Keogh, (Dem., N. Y.); W. Randolph Burgess, Vice-Chairman of the National City Bank; and Mallory Stephens, Chairman of the Ways and Means Committee of the New York State Senate.

Welby With R. H. Johnson

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—R. H. Johnson & Co., 30 State Street, have added William J. Welby to their staff.

OPA Should Abolish Ceilings on Hotel Apartment Rooms: Toth

Convinced also that decontrol should be extended to the entire real estate field.

Now that the OPA has lifted the ceilings from hotel transient rooms, the apartment hotels are feeling more and more as time goes on that they, too, are just as entitled to similar price relief from the rent control authorities, according to Louis Toth accountant of Horwath & Horwath, specialists in hotel and restaurant accounting, recognized everywhere as being very close to the entire hotel business situation. The apartment hotels, he says, must—exactly like the hotels that cater to the transients—pay out more money today for all the many items that enter into their costs than before the war and, if the transient hotels can justify higher room rentals because of greater expenses, so, too, can the apartment hotels.

Louis Toth

Keeping rentals down in some of the apartment hotels at least, Mr. Toth declares, is tending, in fact, to create a privileged group out of the people who choose to live in these hostelries, that is, privileged in the sense that, though laundry, maid and other expenses usually associated with this type of luxurious living have gone up for folk who maintain their own apartments or other types of dwellings, they don't have to pay these higher expenses themselves. With their rentals frozn at levels established when costs were lower, the residents of apartment hotels, he points out, are receiving certain services and benefits which, to a considerable degree, are now being paid for by the hotels.

Higher room rentals in the transient hotels do not—or in the apartment hotels would not—necessarily mean increased revenues for the hotels, he declares, though for a short time they might mean greater profits. Looking at their dwindling beverage sales, many hotels anyhow, he says, believe that higher rentals will have the effect mostly of helping them to maintain current levels of profit for a period of indeterminate though, they hope, considerable length.

In the hotel industry, he points out, receipts at the bar are indicators of trends that may reasonably be expected to materialize in the future. People will cut down on the amounts they spend for liquor before they will move into cheaper rooms, he says. Hotel beverage sales nationally dropped 5% in November as compared with the same month the year before, 7% in December and 9% in January, he points out. Drops in these sales have been particularly severe along the Pacific Coast and in Texas, he says. Beverage sales on the Pacific Coast declined 42% in November as compared with the same month in 1945, 38% in December and 34% in January, reflecting a slight improvement from November to January but low for the entire period nevertheless, he feels. In texas, the sales declined 8% in November, 5% in December but increased 4% in January as compared with similar months the year before, he says.

Room rates, nationally, went up 3% in November compared

(Continued under "Real Estate Securities," on page 1130)

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Capitalization

APRIL 19, 1926		NOVEMBER 30, 1946	
6% 1st Mtge.	$15,000,000	General 4/75	$2,377,000
7% Debentures	5,000,000	Preferred	None
7% Preferred	5,000,000	Common ($10 par)	129,370 shs.
Common (no par)	1,500,000 shs.	Prior Charges: $95,080	
Prior Charges: Interest	$1,210,000		
Preferred	350,000		
Total	$1,560,000		

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Public Utility Securities

Utilities Face Heavy Financing Program

While there has been no very heavy volume of utility financing thus far this year, a large number of issues are scheduled for future offering and a crowded calendar will be the result unless some items are dropped or pushed over into 1948.

In addition to the completion of the big refunding program of recent years, and the sales required to consummate holding company integration programs, there is also a large amount of "new money" financing ahead. The utilities, pressed by present record demands for electricity—and unable during the war to get much new equipment, have planned a big expansion program for the next three or four years. They are not particularly worried by the present high cost of generating equipment since this cost will go into the rate base and act as a buffer against rate-cutting tendencies of the commissions.

However, a considerable part of the "new money" needs as well as a small part of the refunding may be taken care of through serial or short-term bank borrowings. These are becoming increasingly popular because of the plethora of bank credit and the low interest rates obtainable — 1¾-2½%. Such loans are usually limited to a few million dollars apiece—though Electric Bond & Share is planning to borrow $30,000,000 and Consolidated Edison $50,000,000.

Among the big bond issues expected in 1947 are the following: Consolidated Edison, after long consideration by the Public Service Commission at Albany, has received permission to issue $100,000,000 35-year bonds which will probably be 2¾s. Two big groups have been formed to bid, one headed by Morgan Stanley and the other by Halsey, Stuart and First Boston. In connection with holding company programs, New England Power Association plans a $60,000,000 bond refunding and New England Gas & Electric will sell $22,500,000 debentures. New pipe line financing includes some $30,000,000 (or more) bonds for the Michigan - Wisconsin Pipe Line, sponsored by Michigan Consolidated Gas (American Light & Traction system). Texas Eastern Transmission (formed to take over the Big Inch pipe line) will eventually do some heavy bond financing to take care of the $143,000,000 purchase price and the new construction program. Dillon Read, as financial advisor, may supervise the latter financing.

Toledo Edison (Cities Service system) has registered a $32,000,000 mortgage issue for refunding purposes, and Iowa-Illinois G.&E. a $22,000,000 issue. Southern California Gas needs $10,000,000 new money and Southern Counties Gas $6,000,000. Kentucky Utilities expects to refund $26,000,000 bonds. In the background are two big potential refunding deals — $65,000,000 Detroit Edison bonds and $70,000,000 Duquesne Light bonds.

In the preferred stock list there are at least seven fair-sized issues which might appear this year while doubtless a number of smaller refundings might also be added. Pacific Power & Light and Toledo Edison have already registered refunding issues while Connecticut L. & P., Delaware P. & L., Kentucky Utilities, Louisiana P. & L. and Kansas G. & E. are also refunding candidates. These will probably all be competitive with the exception of Connecticut L. & P., which may be handled on an exchange basis and underwritten by a group headed by Putnam & Co.

In the common stock list a number of issues will be handled by offering rights, while others will be sold outright. Electric Bond & Share has just completed its offerings of Penn. P. & L. and American G. & E. through rights. North American Co. in several weeks will offer rights to its stockholders to buy Cleveland Electric Illuminating at $15 (in the ratio of 1-for-5). Engineers Public Service will probably follow shortly after with rights to its stockholders to buy Gulf States Utilities at $11.50 (share for share). About the same time American Water Works may offer its stockholders rights to buy the new Water Works Holding Company stock (although this may be a straight offering to the public).

Halsey, Stuart & Co. own about 25% of the stock of Central Illinois Public Service (the balance is owned by Middle West). Halsey plans to sell its block, either through First Boston or by competitive bidding. Connecticut L. & P. plans to issue additional common stock for "new money" at 50 with rights on a 1-for-7 basis. Consolidated Natural Gas also expects to offer a substantial amount of stock for "new money" by issuing rights (probably in June) on a 1-for-5 basis.

Among the issues which may be liquidated by holding companies this year are mountain States Power, California Oregon Power and possibly Oklahoma Gas & Electric by Northern States; Public Service of New Mexico by Cities Service; Atlantic City Electric by American G.&E.; Northern Natural Gas (and perhaps others) by North American L. & P.; Northern Indiana Public Service by three holding companies of the old Insull set-up; Maine Public Service by Consolidated Electric & Gas, etc. New England Gas & Electric may sell a big block of stock in connection with its recapitalization plan. Public Service of New Hampshire and Kentucky Utilities plan to sell additional stock.

Obviously, the utility bankers will be kept busy with utility offerings this year if all these potential offerings, exchanges, rights, etc., materialize.

N. Y. Security Dealers Anticipate Large Attendance at Dinner

Over 1,000 members and guests of the New York Security Dealers Association will attend the 21st annual dinner to be held at the Waldorf Astoria on March 7th according to George Geyer, of Geyer & Co., chairman of the dinner committee. Members of the Security Exchange Commission, officials of the New York Stock Exchange and New York Curb Exchange, banks, and business organizations as well as financial editors of the leading New York newspapers will be present as guests of the Association.

George Geyer

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(Special to THE FINANCIAL CHRONICLE)

PORTLAND, OREG.—John D. Lewis is now affiliate with Pacific Northwest Co., Wilcox Building.

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(Special to THE FINANCIAL CHRONICLE)

JACKSON, MICH.— Floyd H Pond has been added to the staff of Investment Securities Company, National Bank Building.

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The Outlook for Railroad Equities

By HAROLD F. MESSNER*

Manager, Railroad Division National Securities & Research Corp.

Railroad analyst pointing out rail net income in 1946 was largest in any peacetime year since 1930, holds outlook for current year is considered bright. Says increased rates with expected large traffic should result in more favorable operating ratios. Gives estimated earnings of individual companies.

In the early months of 1946 railroad earnings began to recede sharply, reflecting the nationwide strikes in the highly important steel and automobile industries. Subsequently, earnings declined even more severely, occasioned by a coal strike which paralyzed industry during April and May, a shipping strike, and another coal strike of short duration. Rising supply costs and a substantial wage increase of 18½ cents per hour, retroactive to Jan. 1, 1946, made the over-all picture gloomy indeed. However, final results of $287 million net income, while substantially below the wartime results, were higher than in any peacetime year since 1930.

Harold F. Messner

1947 Prospects

The freight rate increase effective Jan. 1, 1947 is estimated to average 17.6% above rates prevailing at the time of filing of the petition on April 15, 1946. The Interstate Commerce Commission estimated that the new rate would add about $1 billion to the roads' annual operating revenues. Barring repetition of the major strikes of 1946, the outlook for the railroads in 1947 must be considered bright.

In the past, the railroads have enjoyed a high degree of earning power when business volume remained at high levels, and industrial volume in 1947 promises to be well maintained. The movement of coal, steel, automobiles and trucks and parts and other durable lines should keep the industry rolling for many months ahead. Earnings may be expected to fluctuate in different lines should we have a temporary drop in business volume. However, any decline is more likely to occur in industries which would affect rail traffic least and not in the heavy industries. The increased rates, together with the expected large tonnage movement, should result in more favorable operating ratios. Current strong cash position should record further increases over the early period ahead.

Car Shortage

A shortage of cars, due to lack of larger steel quotas, continues to be a detrimental factor. How-

(Continued on page 1155)

*Reprinted from "Investment Timing," Feb. 20, 1947, published by Economics and Investment Division, National Securities and Research Corp., New York City.

U. S. Completes Its Fund Contribution

By HERBERT M. BRATTER

Secretary Snyder announces fulfillment of our Bretton Woods obligation. Payment amounts to $2,744,725,000. Britain has not requested delay in meeting her loan obligations.

WASHINGTON, Feb. 26, (Special to the "Chronicle")—Secretary of the Treasury Snyder announced today that the United States has completed payment of its subscription to the International Monetary Fund. Under the Bretton Woods Agreements the quota of the United States in the Fund is $2,750,000,000, and payment of this amount to the Fund was authorized in the Bretton Woods Act approved July 31, 1945. That act amended the Gold Reserve Act of 1934, approved Jan. 30, 1934, so as to provide that $1,800,000,000 of the Exchange Stabilization Fund originally established under the Gold Reserve Act of 1934, should be used to pay part of the quota of the United States in the Fund, and that the balance of the quota of $950,000,000 should be paid from the general funds of the Treasury.

Herbert M. Bratter

The payment made today amounted to $2,744,725,000, representing the balance of the United States quota. The payment was comprised of $687,500,000.11 in gold, equal to 25% of the quota of the United States, as required by Article III, Section 3 (B) of the Articles of Agreement; $275,224,999.89 in currency credited to the Fund's depositary account with the Federal Reserve Bank of New York and $1,782,000,000 aggregate face amount of non-negotiable, non-interest-bearing demand notes of the United States.

An initial payment of $275,000, representing 1 1/100th of 1% of the United States quota, was paid for credit of the International Monetary Fund on Dec. 27, 1945, at the time the articles of agreement of the Fund were signed on behalf of the United States. A further partial payment in the amount of $5,000,000 was made on Nov. 21, 1946.

Noncommital Regarding British Obligations

Secretary Snyder refused to say whether a postponement of some of Britain's commitments under the loan is likely. He said no request for postponement has been received. (The possibility that the UK may be unable to resume convertibility of Sterling this summer, as called for by the Loan Agreement, has been mentioned in the "Chronicle" recently.)

d for FRASER

Proper Debt Management Key to Currency and Price Stability

New York University Institute of International Finance, directed by Dean Madden, points out treasury's debt-management is not merely a matter of controlling the servicing costs, but preventing inflation or undue deflation of currency. Says refunding by issuing non-bank long-term issues should be used only in event of budget deficit and offset increasing bank holdings of government bonds.

In a recent Bulletin issued by the New York University Institute of International Finance, of which Dean John T. Madden is Director, the problem of postwar management of the national debt in relation to bank deposits and currency circulation is thoroughly analyzed and the various methods by which the Treasury can control the government bond holdings of the commercial banks is carefully considered. According to the Bulletin, the amount of government obligations held by the banks can be reduced in one of three ways: (1) by utilizing budgetary surpluses for redeeming maturing obligations; (2) by refunding operations in which the Treasury offers securities to noncommercial bank investors and utilizes the proceeds for retiring obligations held by the banks; (3) by sales of government obligations by the commercial banks to others.

Dean J. T. Madden

Continuing, the Bulletin states:

"The methods that may be employed in the future will be determined to some extent by the type and maturity distribution of government securities held by the banks. Maturing short-term obligations can be converted into long-term issues offered to others than commercial banks. A budgetary surplus set aside for redemption of the public debt could obviously be applied only to maturing obligations, i.e., Treasury bills, certificates of indebtedness and notes and bonds that become due or callable. There is also a possibility that the banks may sell part of their long-term government security holdings to other investors.

"On Sept. 30, 1946 the 7,355 commercial banks reporting to the Treasury held $73,231 million of interest-bearing government obligations of which $1,326 million were nonmarketable.

Ownership of Marketable Government Obligations by 7,355 Commercial Banks by Types of Security and Maturity as of Sept. 30, 1946

(In millions of dollars)

Type of Security—	Amount	Percent
Treasury bills	938	1.30
Cfts. of indebtedness	14,505	20.17
Treasury notes	8,674	12.06
Treasury bonds—bank restricted	1,363	1.90
Treasury Bonds—bank eligible	46,399	64.53
Postal savs. & other bonds	15	.02
Guar. by United States	12	.02
Total	71,906	100.00
Due or First Becoming Callable—	Amount	Percent
Within 1 year	21,353	29.70
1 to 5 years	28,222	39.25
5 to 10 years	17.516	24.36
10 to 15 years	2,118	2.95
15 to 20 years	138	0.18
Over 20 years	2,546	3.54
Various	12	.02
Total	71,905	100.00

The foregoing table, notes the Bulletin, reveals that only a very small percentage of the total government obligations held by the banks could be expected to be bought by institutional investors. It is obvious that insurance companies and savings banks, as well as eleemosynary institutions, will not be interested in buying government obligations maturing within one year. Neither will this type of institutional investor acquire obligations with a maturity of one to five years or five to ten years because the return is altogether too small. Hence the banks might be able to sell to institu-

(Continued on page 1132)

The Swedish Anti-Depression Program

By BERTIL OHLIN*

Professor of Economics, University of Stockholm

Prof. Ohlin describes efforts of Swedish Government to stabilize economic conditions and avoid booms and depressions. Points out problem of planned economy has been studied from various aspects and program has been developed which regulates or controls public works and private investment, as well as adjusting fiscal policies to effect changes in economic conditions. Stresses importance of adequate and timely planning in advance to meet unexpected situations and concludes efforts should be directed against over-employment as well as under-employment. Says U. S. can aid in creating stable world economy.

In January, in 1933, about two years after the investigations of its employment policy had been started, the Swedish Government presented a budget proposal with an appendix prepared by Professor Myrdal on fiscal policy and depressions. He advocated that adequate volume of aggregate demand should be created by an increase in public works financed through borrowing.

Dr. Bertil Ohlin

The wonderful results of this policy have been described even by some foreign economists. It is true that Sweden had a remarkable recovery in the two or three years following, but I am very sorry that I have to state as my opinion that this policy did not succeed at all, because it was not really tried.

We got into a labor conflict from the spring of 1933 to February 1934 in the building and construction industries, and it is very hard to start public works when you cannot build. So instead of an increase in the sum of private and public investment, what we got was a reduction in the volume of investment. In 1944 the expansion of the foreign demand for Swedish export goods, e.g. pulp and timber, had already brought about a considerable revival in industry. Then the government investment, financed by borrowing, was speeded up and may have somewhat increased the pace of the recovery. It was not a large sum, though, that was spent. It was about 200,000,000 kroner in 12 months, which would have corresponded in this country on the basis of wealth and income to about $1,500,000,000.

I should like to mention, in passing, that there was one fundamental difference between the policy that was planned in Sweden and the one that was tried in the United States, namely with regard to wage policy. Half of the economists who worked out the theory of "expansion" in Sweden were members of the Socialist Party, so there was certainly no political bias behind the idea that it is not useful in the beginning of a depression to increase the wage level. What you have to increase when you want to increase spending is the aggregate demand in terms of wage units, in terms of the pay you give to the worker for one day of work, because then you can buy more days of work and expand employment.

General Wage Increases and Consumer Demand

It is, a priori, very unlikely that you can increase the sales of something by raising its price—unless you cause expectations of a further rise in its price. As a general rule you will not increase the sale of anything by raising its price. This is so obvious if you choose a small unit, say, want to raise the price for a single commodity, for bread or shoes. But if the thing you raise the price on is a very large thing, like labor in general, then the increase in cost and price will be to a considerable extent offset by the increase in demand. It is only when you increase the price of everything—of output as a whole—that you get a balance; you increase cost and demand about as much.

Let me return to the Swedish policy. In 1935, the Unemployment Commission published its final report based on the theoretical investigations made by several economists on the economics of unused resources. It was a very detailed report, containing what even today seems to stand out as a relatively complete analysis of various aspects of the policy against unemployment that I have seen. It deals in equal detail with the purchasing power aspects and the organziation of the labor market and monopolistic price policies and international economic policies.

The first practical result of a more, perhaps, permanent character of the new "expansionist" attitude was a decision made in 1937 by the Swedish Riksdag that one should not aim at balancing the budget over a twelve-month period. After all, twelve months is a period of some astronomical significance, but it is not obvious why the state should be forced to employ that period as a basis for balancing its accounts. The Swedish Riksdag accepted a proposal made by a committee including almost all the Swedish professors of economics. They evidently

(Continued on page 1146)

*Transcript by "The Chronicle" of fourth lecture by Dr. Bertil Ohlin of the 1947 series of the Julius Beer lectures on "The Problem of Employment Stabilization," Columbia University, New York City, Feb. 12, 1947.

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NOTE—*From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 157 of a series.*

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By MARK MERIT

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Comparison (1933) - 1946) of Prices and Yields of State and Municipal Bonds — Tabulation of annual price and yield, showing market changes in individual credits for the past 14 years — Chemical Bank & Trust Company, Municipal Bond Department, 165 Broadway, New York 15, N. Y.

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Government Bond Portfolios and Sources of Income — Breakdown for 19 New York City Bank Stocks 1946 — Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Growth Stock—Circular 19 discussing interesting issue with attractive yield—Thornton & Co., 60 Wall Street, New York 5, N. Y.

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Also available is the **Bank Stock Analyser.**

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Aetna Standard Engineering Co. — Late circular — Luckhurst & Company, Inc., 40 Exchange Place, New York 5, N. Y.

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Aluminun Today and Tomorrow—Research report — Reynolds & Co., 120 Broadway, New York 5, N. Y.

Amalgamated Sugar Company — Summary and analysis—Kaiser & Co., Russ Building, San Francisco 4, Calif.

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.**

Art Metal Construction — Research item—Goodbody & Co., 115 Broadway, New York 6, N. Y.

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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.; Pfaudler Corp.; United Artists.**

Bausch & Lomb—Memorandum—J. G. White & Co., Inc., 37 Wall Street, New York 5, N. Y.

Boston & Maine Railroad—Analysis—Greene and Company, 37 Wall Street, New York 5, N. Y.

Also available is an analysis of **Northern New England Company.**

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

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

Cities Service Company — Discussion of situation in view of proposed recapitalization of preferred stocks and debentures — Stern & Co., 25 Broad Street, New York 4, N. Y.

Cleveland Cliffs Iron Co. — Discussion of proposed merger with the **Cliffs Corporation** — Maxwell, Marshall & Co., 647 South Spring Street, Los Angeles 14, Calif.

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Fearn Laboratories, Inc. — Memorandum and description of products—Rogers & Tracy, Inc., 120 South La Salle Street, Chicago 3, Ill.

Foremost Dairies, Inc.—Detailed memorandum—Cohu & Torrey, 1 Wall Street, New York 5, N. Y.

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

Also available are circulars on **American Bank Note Co.** and **The Muter Co.**

Hoe & Company—Study of current situation — Adams & Co., 231 **Journal"** — Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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

Marmon-Herrington Co., Inc.—Memorandum discussing possibilities—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Also available is the current issue of the **"Public Utility Stock Guide"** containing a memorandum on **Black Hills Power & Light Co.**

National Supply Company—Detailed study of manufacturer and distributor of oil field equipment—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

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

Northern Pacific—Memorandum—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a discussion of **Fourth Section Freight Rates.**

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

Parker Appliance Co.—Circular—du Pont, Homsey Co., 31 Milk Street, Boston 9, Mass.

Pathe Industri Inc. — Memorandum—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Pittsburgh Railways — New memorandum—H. M. Byllesby & Company, Stock Exchange Building, Philadelphia 2, Pa.

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

Fred B. Prophet Co.—Circular—DeYoung, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

Public National Bank & Trust Co.—Year-end analysis—C. E. Unterberg & Co., 61 Broadway, New York 6, N. Y.

Also available is an offering circular on **Stern & Stern Textiles, Inc.**

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

Red Rock Bottlers, Inc.—Circular—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

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.

Showers Brothers Co.—Analysis—Caswell & Co., 120 S. La Salle Street, Chicago 3, Ill.

Nathan Straus-Duparquet, Inc.—Memorandum for banks, brokers and dealers—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Title Guarantee & Trust Co. — Features of 1946 Annual Report and analysis of outlook—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

United Public Utilities Corp. — Memorandum—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

United Utilities & Specialty Corporation — Latest financial report—Greenfield, Lax & Co., Inc., 40 Exchange Place, New York 5, N. Y.

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

Says Capital Gains Tax Hampers Investment

Poll conducted by Association of Customers' Brokers indicates levies on capital gains exert undue influence on decisions of investors. Richard M. Ross, President of the Association, points out need of corrective legislation, and observes that both government and investors lose as result of the taxes.

According to a poll conducted by the Association of Customers' Brokers the Capital Gains tax, as presently constituted exerts an undue influence on the decisions of investors.

Richard M. Ross

Ninety-nine percent of those replying to the questionnaire were of the opinion that the elimination or reduction of the present six months holding period would "encourage the investors to give more thought to the fundamental merits of security purchases and sales rather than to the tax angle."

Members of the Association were also asked what percentage of their clients' sales "during October, November and December were motivated, mainly, to establish losses." The replies varied widely showing a range from less than 10% to 90%. Those who reported 20 to 50% of their transactions to be of this nature comprised 24% of the total, and 18% stated that their tax transactions ran about 50 to 75% of their business during these months. There were, apparently, further orders to establish tax losses in January as 35% of those replying stated that they had received orders of this type during the first month of 1947.

Richard M. Ross, President of the Association, stated that "we have conducted this poll in an effort to check on the impression which has been prevalent for some time that many transactions of investors and traders are governed widely by tax considerations. Although it is a difficult matter to appraise these effects accurately we feel that results of our poll show the need of corrective legislation of the Capital Gains taxes. The recent months have been a particularly interesting time to judge the effect of tax transactions. The comments of our members prove that many investors did not sell at the highs of the market because they had not held the stocks long enough to take advantage of the 6 months rule and then sold later to establish losses. From our observation it seems the government lost revenues and the investor lost money as a result of the present provisions of the tax laws. This would be largely overcome by either elimination of the holding period entirely or by limiting it to three months. We intend forwarding results of our questionnaire to the proper congressional committees."

Another question asked in the poll was "Do you favor elimination of double taxation of stock dividends?" to which 98½% replied "Yes."

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NSTA Notes

NSTA CONVENTION AUGUST 10-14 IN BOSTON

The Boston Security Traders Association through Joseph Gannon of May & Gannon, General Chairman of the National Convention Committee, announces the date of the annual convention of the National Security Traders Association in Boston from August 10 through August 14. The other chairmen are:

CORPORATE FORUM—Dayton P. Haigney, Dayton Haigney & Co.

ENTERTAINMENT—Hubert N. Bernard, Jr., Schirmer, Atherton & Co.

FINANCE — John E. Sullivan, Jr., F. L. Putnam & Co., Inc.

GOLF — Fred Wright, F. T. Wright & Company.

HOTEL—Anton E. Homsey, duPont, Homsey & Co.

LADIES—James B. McGuire, E. H. Rollins & Sons, Inc.

MUNICIPAL—F. Brittain Kennedy, F. Brittain Kennedy & Co.

PRINTING—Herbert C. Smith, Blyth & Co., Inc.

PRIZES—Alex W. Moore, J. Arthur Warner & Co., Inc.

Joseph Gannon

PUBLICITY—John L. Shea, Jr., Shea & Co.

RECEPTION—Ralph F. Carr, Ralph F. Carr & Co., Inc.

REGISTRATION—Robert Warren, Geyer & Co.

TRANSPORTATION—Paul B. Monroe, Hunnewell & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

Michael J. Heaney, President of the Security Traders Association of New York, announces that the 11th Annual Dinner of the Association will be held at the Waldorf Astoria on Friday evening April 25, 1947. Dinner tickets will be $12.50 per person, which includes all taxes. It is urged that dinner and hotel reservations be made immediately. Dress will be strictly informal.

Michael J. Heaney

Dinner reservations may be made with John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane, Tel. WHitehall 4-1212; and hotel reservations with Frank A. Pavis, Chas. E. Quincey & Co., Tel. HAnover 2-4410.

The standing committees appointed for the current year, Mr. Heaney reports, are as follows:

ARRANGEMENTS—Leslie Barbier, G. A. Saxton & Co., Chairman; John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane; Joseph M. Kelley, J. Arthur Warner & Co.; Arthur T. Hamill, Lee Higginson Corp.; Bertrand L. Burbank, White, Weld & Co., Charles H. Jann, Estabrook & Co.; Joseph J. Kirk, Delafield & Delafield; Arnold J. Wechsler, Ogden Wechsler & Company.

PUBLICITY—Alfred F. Tisch, Fitzgerald & Co., Chairman; Roald A. Morton, Blue List Publishing Co.; Eliot H. Sharp, Investment Dealers Digest; Louis Walker, National Quotation Bureau; Herbert D. Seibert, Commercial & Financial Chronicle; Raymond Trigger, Investment Dealers Digest; Graham Walker, National Quotation Bureau.

AUDITING—David R. Mitchell, Blair F. Claybaugh & Co., Chairman; Otto A. Berwald, Berwald & Co.; William F. Thompson, Greene & Co.

MEMBERSHIP—John M. Mayer, Merrill Lynch, Pierce, Fenner & Beane, Chairman; C. Jerome Aal, Young, Aal & Golkin; David Goldstein, Newburger Loeb & Co.

BY-LAWS—Stanley Roggenburg, Roggenburg & Co., Chairman; William K. Porter, Hemphill Noyes & Co.; Harold B. Smith, Collin Norton & Co.; Oscar D. Griffin, Lord, Abbett & Co.; John S. French, A. C. Allyn & Co.

MUNICIPAL—James F. Musson, B. J. Van Ingen & Co., Chairman; Kenneth C. Ebbitt, Campbell, Phelps & Co.; Paris S. Russell Jr., Glore Forgan & Co.; Thomas W. Gleason, Kirchofer & Arnold Inc.; John H. Gertler, Gertler Stearns & Co.; Louis S. Lebenthal, Lebenthal & Co.

EMPLOYMENT—T. Frank MacKessy, Abbott, Proctor & Paine, Chairman; Wilbur R. Wittich, Maxwell Marshall & Co.; Walter F. Saunders, Dominion Securities Corp.

SPORTS—Joseph C. Eagan, Frank C. Masterson & Co., Chairman; Arthur Burian, Strauss Bros. Inc.; Joseph N. Colandro, White Weld & Co.; John J. O'Kane Jr., John J. O'Kane Jr. & Co.

RECEPTION—John Kassebaum, Van Alstyne, Noel & Co., Chairman; Stanley Roggenburg, Roggenburg & Co.; Wilbur R. Wittich, Maxwell Marshall & Co.; Walter F. Saunders, Dominion Securities Corp.; B. H. Van Keegan, Frank C. Masterson & Co.; Harold B. Smith, Collin Norton & Co.; Willis M. Summers, Troster Currie & Summers; Richard F. Abbe Jr., Van Tuyl & Abbe; C. E. de Willers, C. E. de Willers & Co.

TAX AND LEGISLATION—P. Fred Fox, P. F. Fox & Co., Chairman; Harry L. Arnold, Paine, Weber, Jackson & Curtis; Lester Doyle, Hardy & Co.; J. William Kumm, Dunne & Co.

FORUM—Carl Stolle, G. A. Saxton & Co., Chairman; Richard F. Abbe Jr., Van Tuyl & Abbe; Samuel E. Magid, Hill Thompson & Co.

INVESTMENT TRADERS ASSOCIATION OF PHILADELPHIA

Representatives from 17 associations affiliated with the National Security Traders Association were present among the near-record attendance of 503 at the Twenty-third Annual Midwinter Dinner of the Investment Traders Association of Philadelphia held at the Benjamin Franklin Hotel last Friday. Most of the trading centers east of St. Louis were well represented.

In keeping with the happy Philadelphia tradition, there were no formal speeches and rostrum announcements were held to a minimum. General Chairman Thomas F. O'Rourke, Stroud & Co., and his capable assistants kept the evening's program running smoothly and swiftly.

Herbert H. Blizzard, Hess, Blizzard & Co., and Stephen A. Massey, Battles & Co., were responsible for the stage show which pleased and held an attentive audience.

John F. Weller, Buckley Brothers, Albert H. Fenstermacher, M. M. Freeman & Co., Newton H. Parkes, Jr., E. H. Rollins & Sons, and James B. McFarland III, First Boston Corp., were the efficient but unsung personnel handling tickets and hotel reservations.

It is reliably reported that E. J. Davis, Rambo, Close & Kerner, a member of the reception committee, was not duly notified of the dinner's termination and was vigorously performing his official duties as late as the following Sunday afternoon.

Stroud & Co., Inc. as in previous years held a most enjoyable cocktail party before the dinner.

Officers of the Investment Traders Association for 1946-1947 are: President, Frederick S. Fischer, H. N. Nash & Co.; 1st Vice-President, John M. Hudson, Thayer, Baker & Co.; 2nd Vice-President, Charles J. Brennan, Blyth & Co. Inc.; Treasurer, Albert H. Fenstermacher, M. M. Freeman & Co.; Secretary, Wallace Runyan, Graham, Parsons & Co.

NEW YORK BOWLERS WIN AGAIN!

Braving a howling blizzard last Thursday, the eve of the Investment Traders Association of Philadelphia Annual Dinner, three smooth teams of bowlers from Security Traders Association of New York set their Quaker hosts back on their heels by a margin of 501 pins. The visitors thereby retained possession of the trophy contested for in this annual event.

New Yorkers to win individual prizes were Herman D. Meyer, Stern & Co., for his 565 three-game total and Richard H. Goodman, Cohu & Torrey, for a respectable 204 single.

For the losers, consolation honors went to E. J. Phillips, Samuel K. Phillips & Co., who totaled 555 for three games, and to Carl F. Cooke, First Boston Corp., for his 201 single effort.

NSTA DINNER FOR SEC

On Thursday night, Feb. 20, the National Security Traders Association headed by R. V. Mosley of Stroud & Company, Inc., Philadelphia, President, gave a testimonial dinner at the Barclay Hotel for the Securities and Exchange Commissioners and their associates.

The guests were:

Robert K. McConnaughey, Commissioner, SEC; Richard B. McEntire, Commissioner, SEC; Edward H. Cashion, Chief Counsel, SEC; Louis Loss, Counsel Trading & Exchange Division, SEC; Anthony H. Lund, Asst. Director Trading & Exchange Div., SEC; Sherry T. McAdams, Jr., Assistant to Chairman of SEC; James E. Treanor, Director Trading & Exchange Div., SEC.

NSTA OFFICERS—R. Victor Mosley, President, Stroud & Co., Inc., Philadelphia; Paul Yarrow, 1st Vice President, Clement, Curtis & Co., Chicago; Paul I. Moreland, 2nd Vice President, Moreland & Co., Detroit; Edward H. Welch, Secretary, Sincere & Co., Chicago; James R. Duffy, Treasurer, Paine, Webber, Jackson & Curtis, Boston; Thomas Graham, Executive Council, The Bankers Bond Co., Louisville; John M. O'Neill, Executive Council, Stein Bros., Boyce, Baltimore; Edward E. Parsons, Executive Council, Wm. J. Mericka & Co., Cleveland.

PRESIDENTS OF AFFILIATES—Joseph Butler, Baker, Watts & Co., Baltimore Security Traders Association; Frederick S. Fischer, H. N. Nash & Co., Investment Traders Association of Philadelphia; Charles N. Fisher, Singer, Deane & Scribner, Pittsburgh Security Traders Association; Michael J. Heaney, Joseph McManus & Co., Security Traders Association of New York; Franklin O. Loveland, Field, Richards & Co., Cincinnati Stock & Bond Club; Lawrence N. Marr, E. H. Rollins & Sons, Inc., Bond Traders Club of Chicago; Sumner Wolley, Coffin & Burr, Inc., Boston Securities Traders Association.

COMMITTEE CHAIRMEN—Joseph Gannon, Convention Committee, May & Gannon, Boston; T. Geoffrey Horsfield, Publicity Committee, Wm. J. Mericka & Co., New York; Henry Richter, Membership Committee, Scherck, Richter & Co., St. Louis; Harold Smith, Advertising Committee, Collin, Norton & Co., New York City; Ludwig Strader, Municipal Committee, Scott, Horner & Mason, Lynchburg, Va.

Louis E. Walker, National Quotation Bureau, New York, was also a guest at the dinner.

Van Alstyne, Noel Co. Admits G. Pearsall

Gilbert B. Pearsall has been made a general partner of the New York Stock Exchange firm of Van Alstyne, Noel & Co., 52 Wall Street, New York City, it was announced by David Van Alstyne, Jr. Mr. Pearsall, who joined the firm in 1937, will be the partner in charge of syndicate and foreign activities. He was commissioned in the Air Corps early in 1942 and served three years overseas, being retired to inactive service on Dec. 31, 1945, with the rank of Lieutenant-Colonel.

Mr. Pearsall's admission to the firm was previously reported in the "Financial Chronicle" of Jan. 30th.

Export Contract Completed Under German Bizonal Program

STUTTGART (Delayed) — On Jan. 31 a $430,000 Wuerttemberg-Baden export contract was signed here yesterday by a representative of the Norwegian Government, Office of Military Government, Wuerttemberg-Baden, and the German State Government. This was the first completion of an export contract at State level in the U. S. Zone under the new bizonal program.

The export items purchased by the Norwegian Government consisted of four huge water turbines and accessories. George L. Erion, Director of OMGWB's Economics Division, said that the Nazi Government had negotiated for the sale of such turbines in 1942. "This way, the money goes into building a democratic Germany," he said.

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Ohio Brevities

A proposal to split common shares of Cleveland Graphite Bronze Co. two-for-one will be submitted to company stockholders at the annual meeting April 7. Directors approved the plan last week.

The proposed split would increase the number of outstanding common shares from 321,920 to 643,840 of $1 par and would mean transfer of $321,920 from earned surplus to capital stock account. President Ben F. Hopkins said the split would facilitate wider distribution of the stock.

Following the approval of the split, it was pointed out that a holder of one Graphite common share in 1923 would become a holder of 400 shares.

* * *

"Underwritings and Syndicate Operations" were discussed by Percy M. Stewart, partner of Kuhn, Loeb & Co., before the training class conducted by the Northern Ohio group, Investment Bankers Association.

* * *

L. Merle Hostetler, manager of the research department of the Federal Reserve Bank of Cleveland and a member of the faculty of Western Reserve University, directs the class.

* * *

Otis & Co. of Cleveland, submitted the highest of nine bids for $150,000 school building bonds of Mt. Sterling, Ohio, near Columbus. The bid was 101.27 for 1¾% bonds which were reoffered to yield from 0.75 to 1.75%.

Fahey, Clark & Co. bid 100.38 for 1¾s; Field, Richards & Co. bid 102.345 for 2s, and Hayden, Miller & Co., 100.61 for 2s.

* * *

On Saturday, offices of District 10 of the National Association of Securities Dealers, Inc., will open in Columbus, having been transferred from Cleveland.

Joseph J. Van Heyde has been appointed as secretary, succeeding Sheldon Clark, who has been secretary of the association since its inception in 1940. Clark plans to devote his full time to the practice of law in Cleveland.

* * *

The Gray Iron Founders' Society, Inc., has appointed Raymond L. Collier as executive vice-president.

Collier, who takes over his new duties Saturday, plans to conduct an exhaustive survey of gray iron foundry industry, which comprises an estimated 2,500 producing units. He is former executive secretary of the Steel Founders' Society of America with which he was connected 18 years.

* * *

NEW CLEVELAND BUSINESS EXECUTIVES—Arthur E. Tulk, former executive vice-president, elected president of Cleveland Quarries Co., succeeding E. T. Ripley, resigning after 40 years service because of ill health. William M. Jones was elected a vice-president along with H. C. Aurand, former director of industrial relations. . . . Charles Edgar Smith named to newly created post of executive vice-president of Towmotor Corp. He started with the company in 1941 as sales manager. . . . Cleveland Diesel Engine Division of General Motors, announced appointment of T. E. Hughes as general sales manager; B. H. Gommel as commercial sales manager and J. S. Melton as manager of the division's Washington office.

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J. P. Morgan Co. Group Offer New Jersey Bonds

J. P. Morgan & Co., Inc., Drexel & Co. and Shields & Co. and associates offered publicly yesterday $15,000,000 State of New Jersey Highway and Emergency Housing 1¾% bonds, due Jan. 1, 1949-1982, at prices to yield from 0.75% to a price of 98, according to maturity. The group won the bonds on a bid of 101.27.

Interest on the bonds is exempt under existing laws from federal income taxes and is tax free in the State of New Jersey.

In the opinion of the offering group the bonds are legal investment for savings banks and trust funds in New York and New Jersey and for savings banks in Connecticut, Massachusetts and Pennsylvania.

C. V. Thackara With Bear, Stearns & Co.

Charles V. Thackara, Jr., has become associated with the Municipal Bond Department of Bear, Stearns & Co., 1 Wall Street, New York, members of the New York Stock Exchange, to specialize in revenue bonds, the company announced.

Mr. Thackara formerly was with the Federal Reserve Bank of Philadelphia and Stein Bros. & Boyce. He holds the rank of Lieutenant in the USNR after service of 3½ years with the Navy.

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Richard Gottron Heads Cleveland Stock Exch.

CLEVELAND, OHIO—The Cleveland Stock Exchange today is headed by one of the youngest presidents in its 47-year history—Richard A. Gottron, 36-year-old partner of Gottron, Russell & Co.

Richard A. Gottron

The new president declared it is the aim of the exchange to establish better public relations; keep closer contact with corporations whose stocks are listed on the Cleveland exchange, and encourage bankers in mart activities and to focus the spotlight on Cleveland as a financial and business center.

Mr. Gottron, who has been active in exchange and securities groups affairs for several years, began his investment career about 15 years ago. About a year ago, he formed with James ("Jimmy") Russell, the firm of Gottron, Russell & Co.

S. Prescott Ely, a partner in Curtiss, House & Co., retired as an Exchange officer. He had served two years as president and 18 years as a governor. He told the meeting that he believes smaller exchanges face a brighter future and that business in general will be good.

Retiring President Guy W. Prosser of Merrill Lynch, Pierce, Fenner & Beane, through exchange members, presented Ely a gift of two glass dispensing decanters with silver tops. Mr. Prosser was named a governor to fill Mr. Gottron's unexpired term. Daniel Baugh III of Gordon, Macklin & Co., Frank C. Gee, chairman of First Cleveland Corp., and Clemens E. Gunn, partner of Gunn, Carey & Co., were chosen new members. Among the officers, Theodore Thoburn of Hayden, Miller & Co. was elected vice president and Baugh was renamed treasurer. William J. Perry was returned as secretary and Harry A. Borowski was re-elected assistant secretary.

25-Year Club Formed At Josephthal Co.

The employees of Josephthal & Co., 120 Broadway, New York City, have formed a Quarter Century Club composed of 13 regular and 12 associate members who have been with the firm for 25 years or more. At a meeting held at the Chateau Tavern, John Prevot was elected President, Andrew Turner, Vice-President and Anthony J. Cordano, Secretary. Nicholas J. Gerold, a partner of the firm, was named Honorary President and the other firm members were made honorary members of the club.

Charter members of the club average only 42 years of age and comprise about one-sixth of Josephthal's entire staff.

The firm will tender a dinner annually in honor of its quarter-century club members.

Lushas Now Incorporated

F. R. Lushas & Co., 29 Broadway, New York City, is now doing business as a corporation.

The Tax Picture at Washington

By HON. CARL T. CURTIS*
U. S. Congressman from Nebraska

Holding reduced Federal expenditures, balanced budgets, reduction in the debt, and lowering of taxes are "musts" if we are to have a healthy economy, Republican member of the House Ways and Means Committee defends proposal of general 20% cut in income tax rates on ground it would stimulate investment by high income groups and would give more purchasing power to lowest brackets. Looks for reforms in business taxes that will relieve administrative and business difficulties and predicts a rewriting of our tax laws so as to promote maximum amount of business enterprise.

Recent years have brought an almost fantastic increase in the tax load borne by the people of our country. This additional load had to be assumed in order to permit the efficient financing of the war in which we were engaged. Yet, an increased tax burden of this magnitude cannot be levied without the imposition of substantial additional responsibilities upon the business community. In part these responsibilities take the form of the payment of heavier taxes by the business community itself. In part they represent the assumption of additional work in connection with the collection of taxes from other groups in the community.

Direct taxes upon business accounted for a substantial portion of the wartime increase. The yield obtained from the taxes on corporate net income, excess profits, declared value capital stock and declared value excess profits rose from $1.3 billion in 1939 to $15.1 billion in 1945. This represents about 40% of the increase in total tax collections between these years. The active cooperation of the business community was also indispensable to the great increase which took place in the collection of taxes on the net income of individuals. The increase in collections from $1 billion in 1939 to $19 billion in 1945 was possible only because the income tax was imposed upon a base which was unprecedented in its breadth. This in turn, could be done only by the use of the withholding mechanism. A withholding scheme cannot work effectively unless the business community becomes an active and efficient cog in the collection machinery, and the success of our withholding experiment is due in large measure to the way the business community carried out this most important assignment.

Reduced federal expenditures, a balanced budget, a reduction in the debt, and a reduction in taxes are musts if we are to have a healthy economy. One major step in tax reduction was taken in the tax bill of 1945 which dealt largely with corporate tax matters, and Congress has before it now a bill which would effect a substantial reduction in the load borne by in-

(Continued on page 1152)

*A paper presented by Rep. Curtis before the New York Control of the Controllers Institute of America, Feb. 20, 1947.

Szymczak Reports Progress From Germany

OMGUS official reveals facilities being provided for American businessmen's entry to Germany. Reports 25% increase in Ruhr coal output. Food and fuel cost of our occupation was $200 million in 1946.

WASHINGTON (Special to the "Chronicle")—In a broadcast from Berlin over the American Broadcasting Co. network on Feb. 4, Governor M. S. Szymczak, who is shortly expected back at the Federal Reserve Board after about half a year in Germany, answered a number of questions about American trade policy in that country. Mr. Szymczak, who is chief of the Trade and Commerce Branch of OMGUS, was interviewed by Lowell Bennett.

M. S. Szymczak

Mr. Szymczak stated that "the import of food and fuel for American occupied territories in Germany cost the American taxpayer about 200 million dollars during 1946 alone."

Referring to the OMGUS announcement that the export program for the combined British-American zones calls for the export of $1,000,000 worth of goods each day during 1947, $2,000,000 every day during 1948, and $3,000,000 a day in 1949, Szymczak said: "The American government has arranged to make advances for the purchase of raw materials. We are also stepping up facilities for businessmen to come to Germany. We hope, in fact, that some three thousand American and other businessmen may visit the British and U. S. Zones each month this summer.

"Coal production has been stepped up. In the Ruhr, our chief source of supply production has been rising steadily. Last week, the daily production was almost a quarter of a million tons, which is nearly 50,000 tons a day more than four months ago.

"The principal products we hope to sell to American buyers are toys, leather and wood handicraft, china—in which the Germans have excelled for many generations—silver costume jewelry, hops, machine tools, and a long list of consumer goods. Right now we are in the position of not being able to produce nearly enough for potential buyers from all over Europe and the United States.

"The American people, I believe, are unwilling to continue to pour millions of dollars into Germany when the Germans should be able to pay their own way. The steps we and the British are taking to prevent disease and unrest, and to permit the Germans to rebuild their own economy and thereby indirectly the European Economy they did so much to destroy, are of tremendous importance to the recovery of world trade and world peace."

Wants Three-Year Budget Program For Achieving Financial Stability

Dr. Moulton of Brookings Institution holds it impossible at present to determine reductions in expenditure. Sees possible decline in national income as disturbing budgetary balance.

Dr. Harold G. Moulton, President of the Brookings Institution of Washington, in an address at the University of Cincinnati on Feb. 14, recommended a three-year budget plan for the Federal Government, in place of the year to year basis.

Harold G. Moulton

"The sound approach to the Federal budget problem," Dr. Moulton stated, "is to work out a three-year program for achieving financial stability. Since the nation is still in a transition stage from war to peace so far as certainties of financial requirements are concerned, it is impossible to determine at this time precisely how great reductions in expenditures can safely be made."

"This is particularly the case," concluded Dr. Moulton, "with respect to some types of veterans' benefits, to the various forms of foreign relief, to the costs of military occupation and to the magnitude of the requirements for the national defense program in general.

"On the revenue side, a three-year program also appears essential. The Federal revenue estimates now being used in the formulation of fiscal policy assume that business activity in the fiscal year 1947-48 will average slightly better than in the calendar year 1946."

Referring to the revenue estimates in the budget, Dr. Moulton said that "a prudent approach to the fiscal problem should give full consideration to the effects upon revenue yields of a possible moderate downward adjustment in national income either within this period or in the years immediately following.

"Because of the composition of the Federal tax system, there is a strong tendency for any appreciable decline in the national income to be accompanied by a larger relative decrease in revenues.

"Such a decline, if not allowed for in fiscal planning, would completely destroy any precariously obtained budgetary balance.

"If a program is to be developed that will insure budgetary balance over the period of the business cycle, we must now formulate both our revenue and expenditure estimates not for one year only but for a period of years."

John S. Thomson Now With Hill Richards Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John S. Thomson has become associated with Hill Richards & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Thomson was formerly with the Los Angeles office of Dean Witter & Co. with which he had been connected for many years.

With Bacon & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — William Wehrmeister, Jr. has been added to the staff of Bacon & Co., 256 Montgomery Street, members of the San Francisco and Los Angeles Stock Exchanges.

Debt, Taxes and Expenditures

By HON. NOAH M. MASON*
U. S. Congressman from Illinois

Representative Mason points out seriousness of Federal debt and warns continued Federal expenditure for subsidies and local improvements will end inevitably in financial chaos and repudiation. Furnishes data on subsidy expenditures and holds budget could be reduced to $30 billions. Attacks President Truman's new spending proposals and Federal foreign lending and concludes Bretton Woods institutions mean U. S. lending under policy and control of foreign borrowers.

We all know that Uncle Sam owes 280 billion dollars, but no one knows what that means. Not one of us can comprehend what $280 billions mean. There never was a debt of that size before. It is more than the total debt of all our allies combined—Russia, England, France, Italy, and all the 40 small nations that go to make up the United Nations Organization. Statistical Experts tell us that Uncle Sam's national debt is larger than the total national debts of all the other countries of the world put together, enemies and allies combined. Yet in the face of this every nation in the world stands before Uncle Sam today and says, in effect, "Please, Uncle Sam, won't you borrow more money, go deeper into debt, levy heavier taxes upon your people, and help me out of the mess I am in?" And Uncle Sam has been doing just that.

Hon. N. M. Mason

The Census Bureau tells us we are a nation of 140 million people. If that is so then Uncle Sam holds a $2,000 mortgage on every man, woman, child, and baby in America. It means that every babe born in the United States

(Continued on page 1156)

*Digest of an address by Representative Mason before the annual meeting of the American Retail Federation, Washington, D. C., Feb. 24, 1947.

This is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offer is made only by means of the Prospectus. This is published on behalf of only such of the undersigned as are registered dealers in securities in this State.

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AMOUNTS, MATURITIES, INTEREST RATES, PRICES AND YIELDS

Principal Amount	Maturity Date	Interest Rate	Public Offering Price*	Approximate Yield to Maturity	Principal Amount	Maturity Date	Interest Rate	Public Offering Price*	Approximate Yield to Maturity
$1,083,000	1947	1¼%	100%	1.25%	$5,833,000	1958	3%	100%	3.00%
3,649,000	1948	1½	100	1.50	5,937,000	1959	3	100	3.00
1,451,000	1949	1¾	100	1.75	780,000	1960	3	99.875	3.011
1,683,000	1950	2	100	2.00	6,073,000	1961	3	99.75	3.021
4,345,000	1951	2⅛	99.67	2.20	6,130,000	1962	3	99.625	3.030
5,374,000	1952	2⅜	100	2.375	5,842,000	1963	3	99.50	3.038
2,527,000	1953	2½	100	2.50	2,881,000	1964	3	99.375	3.046
1,315,000	1954	2⅝	100	2.625	1,007,000	1965	3	99.25	3.053
5,548,000	1955	2¾	100	2.75	4,448,000	1966	3	99.125	3.059
5,637,000	1956	2⅞	100	2.875	575,000	1967	3	99	3.065
5,693,000	1957	3	100	3.00					

*Plus accrued interest from February 15, 1947 to date of delivery.

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

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Real Estate Securities

OPA SHOULD ABOLISH CEILINGS ON HOTEL APARTMENT ROOMS: TOTH

(Continued from page 1123)

with the same month the year before, 1% in December and 2% in January, he revealed also, an average increase of 2% for each of these months as compared with corresponding months in 1945 in the first two cases and in 1946 in the last case. These figures can not be interpreted to mean that demand for hotel rooms was heavier in like proportion during the period as compared with the corresponding months of the year before, he says. For one thing, hotels always try to rent their more expensive rooms first, leaving as many of the vacancies as there may be in the lower price brackets, he declares. This of course tends to raise the amount of the average rentals, he points out. Occupancy, as a matter of fact, declined 4% in November, as compared with the same month the year before, that is, dropped from 94% to 90%; declined 4% also in December, that is, from 88% to 84%; and declined 2% in January, that is, from 92% to 90%. Likewise, increases in the sales of food in the hotel restaurants don't mean more people are eating in the dining rooms, he says. It's just that the prices are higher, he points out. Food sales jumped 15% in dollar volume in November as compared with the same month the year before; 12% in December, and 11% in January.

It will probably be two months or so before it can be definitely known to just what extent the transient hotels have decided to take advantage of the opportunity they now have to raise their room rentals, Mr. Toth says. It will take all of this time, that is, for the necessary statistics to come in, he points out. Since the hotels can cover up, as it were, the points at which they make their revisions in the rates, data will have to be compiled on a grand scale before anyone can know for a certainty just what the average increase has been, he says. Estimates that are now being formulated can be little better than educated guesses, he thinks. It is likely that the hotels, for the most part, will not change the range of their prices, or at least very much, he says. What is happening, however, he feels, is that where, for instance, there were formerly 300 rooms in the $3 category, now there may be only 200, where there were formerly 400 rooms at $4.00 now there may be only 300 and so on up the list of higher priced rooms. The hotels, too, are removing every clear evidence of inequity in the rates, he says. Thus, where all but one of the corner rooms up the complete height of a hotel rent for $4.00 a day and the one rents for $3.50 because it was frozen at that level when the OPA ceiling was imposed, having been reduced to that point for the one day because of some special circumstances, the rent of the $3.50 room is probably going up to $4.00, he declares.

It is likely, too, that some of the transient hotels are not raising their rates at all, Mr. Toth thinks. Where this is happening, it is a great mistake, he feels. Should the time ever come that business falls off seriously, the hotels which raise their rates now can come down to present levels first before dropping any further, he advises. The hotels which are not revising their average rates upwards at this time are, in a real sense, hastening the cycle of price-cutting in the market for hotel rooms, he warns, a process which in the end will not bring them any more business. Mr. Toth says he intends to advise the entire industry to seize this chance to adjust their rates to levels more in keeping with the higher costs they must now pay. In one hotel, for instance, he says, labor costs alone have gone up 97% in the last few years. To maintain profits at pre-war levels—in the event of a business decline—hotels would have to reduce wages, increase the productivity of their employees and also raise prices, he says.

Occupancy is running very high in some centers and wherever this is true there may be a tendency to minimize the importance of increasing rates, Mr. Toth points out. However, hotels that think they are going to continue doing this volume of business are seriously in error, he says. Occupancy, though high now, is on a decline practically everywhere, he declares. Thus, his statistics show, whereas in New York in November, occupancy was 97%, that was 1% less than for the same month the year before. In December, the New York figure was 90%, too, but this was a decline of 2% compared with December, 1945, and in January, the figure was 95% which represented a decline of 1%. In Chicago, Philadelphia, Cleveland, Detroit, the Pacific Coast and Texas also, occupancy in November was over 90%, ranging in some areas as high as 93%, but in December there wasn't one of these sections where occupancy was as high as 90%. In January, only Philadelphia had an occupancy lower than 90%. However, in every instance, the figure represents a decline from the year before with the single exception of the Pacific Coast where occupancy was 93% in January, both this year and last.

For hotels to maintain an occupancy of even 90% is an extremely difficult task, Mr. Toth points out. Peaks in the business come in the middle of the week, weekends the hotels tend to be half-empty, and all holiday weeks, especially Christmas week, are extreme lows in occupancy, he says. All this means that hotels must be filled to capacity on 45 or more days each year if even the prewar occupancy record of 70%-75% for the entire years is to be achieved, he points out. Hotels often can not know until late in the day exactly how many rooms they can rent for that night with the result that they sometime turn away business in the morning that they are looking for and could take care of in the late afternoon or at night, he declares.

Decontrol of the entire hotel business is what is needed to give the industry a chance to adjust itself properly to all its factors of changing costs, Mr. Toth believes. That the government hesitates to extend the lifting of ceilings to other classes of rooms than transient is probably due to some extent to the fact that the public has not yet learned the economic lesson which the experience with butter should have taught them, he says. The price of butter did go up immediately after decontrol but today it is below the old OPA ceiling price, he points out. Decontrol should be extended to the entire real estate field, in fact, he thinks. Higher rents on dwellings in general would not put people in the streets though it might cause some doubling up temporarily, he feels. Some sons and daughters might have to go back to live with their parents, for instance, he says. However, rent decontrol on the lower-price dwellings would have the effect of stimulating the construction of low-rent apartment houses and dwellings, he believes. In the future, the pressure for living space is going to be in the low-rent field, he says. Not only will the present low-income groups continue to want places in which to live but people now residing in the expensive apartment hotels and luxurious apartments in general, he thinks, as their incomes drop, are going to seek apartments in the low-rent class.

Spink & Woodward Join Staff of Dempsey Co.

CHICAGO, ILL.—Dempsey & Company, 135 South La Salle Street, members of Chicago Stock Exchange, announce that Harold H. Spink is now Manager of their Municipal Department and Earle J. Woodward has become associated with them. Mr. Spink has been closely identified with municipal markets for many years, more recently having been with E. H. Rollins & Sons. Mr. Woodward's activities have been devoted to the sale of municipal securities; he was formerly Manager of the Municipal Department of Detmer & Co.

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Britain's Counter Claims in Settling Sterling Balances

By PAUL EINZIG

Dr. Einzig, holding present crisis in Britain will make her creditors realize that the nation is unable to meet sterling claims against her, points out in negotiation for settlements, Britain can enter counter-claims on ground she conducted war for benefit and protection of nations in "Sterling Bloc."

The aggravation of the economic crisis brought about by the fuel shortage is likely to produce one beneficial effect. It will induce Britain and Britain's overseas creditors to face up to the grim realities of Britain's economic situations and prospects. It is now beginning to be realized both in Britain and abroad, that the fuel crisis is merely a surface symptom of fundamental economic difficulties arising from the war. The present acute crisis may be a passing phenomenon. But the fundamental weaknesses arising from economic exhaustion through extreme wartime exertions are likely to remain.

Dr. Paul Einzig

Possibly, in the absence of the present acute crisis, British official and expert opinion might have been misled by the improvement of the trade balance and other indices into overrestimating Britain's capacity to carry the financial burdens inherited from the war. The present crisis, temporary as it may be in its extreme form, should provide a much-needed reminder that Britain cannot afford to indulge in the luxury of meeting its wartime external obligations. The United States Administration recognized this fact, hence the decision to cancel Lend-Lease claims. Other creditor governments have not yet arrived at that stage. They still think of Britain in terms of its immense prewar wealth, and mean to insist on receiving every ounce of their pound of flesh.

Human nature being what it is, this is not surprising. What is more astonishing is that there are even in British official and export circles many people who seriously imagine that Britain, in spite of its depleted resources, would be able to repay $14,000,000,000 to holders of sterling balances in the course of the next 50 years. This is the same spirit that was responsible for the return to the gold standard at prewar parity in 1925. It arises from a fundamental British characteristic: the Briton proverbially never knows when he is beaten. He thinks that it is his duty to meet the financial liabilities arising from the war, or at any rate to exert himself to the utmost to that end, until events will conclusively prove his inability to do so. He does not realize that even in the absence of a major crisis, such as that of the early thirties, Britain's inability to pay the blocked sterling balances is self-evident.

(Continued on page 1151)

SEC Reports Its Varied And Complex Activities

Chairman James J. Caffrey expresses hope 1946 report to Congress will acquaint new members with work of the Commission which, he says is concerned with "the heart of the financial life of the American Economy" and seeks to carry out its operations and regulations with a minimum of interference with securities distribution and trading. Announces securities registrations reached a new high and there was increased activity in administration of Public Utility Holding Act. Wants SEC powers extended to large corporations with unlisted securities.

Reporting to Congress on its operations and activities in 1946, the Securities and Exchange Commission, with a view, as stated by Chairman James J. Caffrey, of helping to acquaint new members of Congress with the work of the Commission and the broad scope of its concerns under the various laws administered, gives statistics and data showing that a new high was set in securities registrations offered for public sale, as well as increased volume of stock exchange transactions over the years immediately preceding.

James J. Caffrey

The dollar volume of securities registered with the Commission for public sale reached $7,073,280,000 during the year, which is $2.2 billion higher than the previous high registered in 1937. Securities registered for cash sale totalled $2.3 billion for stocks and $3.1 for bonds and other debt securities, stock registrations almost doubling the previous high of $1.2 billion in 1937. In the sale of $5,195,867,000 of securities registered for primary cash distribution, representing 96% of the total of such securities, investment bankers were used in making the distributions. The total cost of this marketing amounted to 5.3% of the aggregate dollar volume of such securities, of which 4.8% represented commissions and discounts and 0.5% covered all other expenses involved, including SEC registration. This represents a downward trend in the selling commissions and discounts over the past eight years, or from 2% to 0.9% for bonds; 6.4% to 3.1% for preferred stocks; and 16.9% to 8% for common stocks.

Increase in New Capital

According to the SEC report the amount of proceeds from securities flotations applicable to expansion of fixed and working capital aggregated $1,557,000,000, the highest volume of new capital financing from securities in the last 15 years. New records also were established in the administration of the Public Utility Holding Company Act. New security offerings aggregating $2,375,000,000, principally by sub-

(Continued on page 1152)

Babson Tells When to Buy

At Florida Business Conference he advises buying commodities only on hand-to-mouth basis, limiting real estate purchases to small farms, and restricting purchases to established dividend stocks. Holds best time to buy stocks is when business failures are abnormally high.

Roger W. Babson, in speaking extemporaneously at the Florida Business Conference at Babson Park, Fla., on Feb. 20, on "When to Buy," expressed the view that commodities and real estate prices are declining, but sound dividend paying stocks can still be bought with safety for income purposes.

Roger W. Babson

"For 100 years," Mr. Babson stated, "fish have been the bell weather for a break in commodities. The decline in fish prices started last summer. It was followed, according to custom, by a break in furs and other luxuries. Now it is hitting agricultural products. What is happening to citrus will happen to most agricultural products during the next two years. Hence I advise buying all commodities only on a 'hand-to-mouth basis.'

"The real estate market has begun also to decline—starting in according to custom—with high-priced homes which have already declined 20% since a year ago. Large farms, too far from cities to be split up into subdivisions, are also beginning to decline. Frankly, this is no time to build or buy new houses. The only real estate that looks good to me are small farms properly located with good soil and near small communities which will never be bombed.

"Stocks are also going through their customary cycle, starting with a decline in bonds and low price non-paying stocks," Mr. Babson pointed out. "It certainly is not the time to buy these two groups. Medium grade stocks are on sort of a dead center, *but established dividend paying stocks can still be bought for income purposes.* I still believe that the industrial averages will register higher prices than at present; but as yet they are no 'bargains.'"

"For 40 years," concluded Mr. Babson, "I have been watching business statistics and have learned that the best barometer as to when to buy is 'failure' statistics. When these are abnormally high it usually is the time to buy commodities, real estate and securities. Today, however, failure statistics are abnormally low and hence my 'hand-to-mouth' advices. These failures averaged $90,000,000 per month in pre-war years. Today, *with double the national income*, they are averaging only $9,000,000 per month. This is something seriously to consider."

Mason, Moran Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Mason, Moran & Co., 135 South La Salle Street, have added Willard L. Flint to their staff.

With C. G. McDonald Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Robert Telford has joined the staff of C. G. McDonald & Co., Guardian Building, members of the Detroit Stock Exchange.

Two With First of Michigan

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — John E. Allen and Leslie C. Muschette have become affiliated with First of Michigan Corporation, Buhl Building, members of the Detroit Stock Exchange. Mr. Muschette was previously with Chapin & Co.

Joins Carr & Co.

(Special to THE FINANCIAL CHRONICLE)

DEROIT, MICH. — James H. Shepherd has joined the staff of Carr & Company, Penobscot Building, members of the Detroit Stock Exchange. He was previously with Investment Counsel, Inc.

With Glore, Forgan Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Glore, Forgan & Co., 135 South La Salle Street, members of the New York Stock Exchange and other exchanges have added John O. Karstrom, Jr. to their staff.

With R. F. Griggs Co.

(Special to THE FINANCIAL CHRONICLE)

WATERBURY, CONN. — Thomas F. Melia has been added to the staff of the R. F. Griggs Company, 35 Leavenworth Street.

New Issues *February 21, 1947*

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Principal and semi-annual interest (January 1 and July 1) payable in New York City or Baton Rouge, Louisiana. Coupon bonds in the denomination of $1,000 registerable as to principal only or as to both principal and interest.

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THESE BONDS, issued for Highway purposes, constitute, in the opinion of counsel, valid general obligations of the State of Louisiana for the payment of which the full faith and credit of the State are pledged.

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These bonds will bear 3½% interest to January 1, 1952, and 2½% thereafter.

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Amount	Due	Price	Approx. Yield to Maturity	Approx. Yield to 1st Call	Amount	Due	Price	Approx. Yield to Maturity	Approx. Yield to 1st Call	Amount	Due	Price	Approx. Yield to Maturity	Approx. Yield to 1st Call
$100,000	1951	107.26	1.50%	—	$100,000	1956	107.27	2.15%	1.89%	$2,000,000	1961	104.45	2.50%	2.50%
100,000	1952	107.94	1.75	—	100,000	1957	106.66	2.25	2.02	3,000,000	1962	103.83	2.55	2.63
100,000	1953	108.06	1.85	1.73%	100,000	1958	105.89	2.35	2.19	3,000,000	1963	103.15	2.60	2.78
100,000	1954	107.98	1.95	1.74	100,000	1959	105.49	2.40	2.27	3,000,000	1964	103.09	2.60	2.80
100,000	1955	107.71	2.05	1.80	100,000	1960	105.00	2.45	2.38	3,000,000	1965	103.02	2.60	2.81

(accrued interest to be added)

$3,000,000 Highway Bonds, Series "HH"

These bonds will bear 3½% interest to January 1, 1952, and 2½% thereafter.

Dated January 1, 1947 — Due January 1, as shown below

Callable January 1, 1952, or any interest payment date thereafter at par plus accrued interest.

Amount	Due	Price	Approx. Yield to Maturity	Approx. Yield to 1st Call	Amount	Due	Price	Approx. Yield to Maturity	Approx. Yield to 1st Call	Amount	Due	Price	Approx. Yield to Maturity	Approx. Yield to 1st Call
$25,000	1951	107.26	1.50%	—	$25,000	1956	107.27	2.15%	1.89%	$750,000	1961	104.45	2.50%	2.50%
25,000	1952	107.94	1.75	—	25,000	1957	106.66	2.25	2.02	500,000	1962	103.83	2.55	2.63
25,000	1953	108.06	1.85	1.73%	25,000	1958	105.89	2.35	2.19	500,000	1963	103.15	2.60	2.78
25,000	1954	107.98	1.95	1.74	25,000	1959	105.49	2.40	2.27	500,000	1964	103.09	2.60	2.80
25,000	1955	107.71	2.05	1.80	25,000	1960	105.00	2.45	2.38	500,000	1965	103.02	2.60	2.81

(accrued interest to be added)

$1,000,000 Highway Bonds, Series "EE"

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Dated July 1, 1943 — Due July 1, as shown below

Bonds maturing on or after July 1, 1951, callable on July 1, 1948, or any interest payment date thereafter at par plus accrued interest.

Amount	Coupon	Due	Price	Approx. Yield to Maturity	Amount	Coupon	Due	Price	Approx. Yield to Maturity	Amount	Coupon	Due	Price	Approx. Yield to Maturity
$25,000	1¼%	1951	99.38	1.40%	$25,000	1¼%	1955	95.80	1.80%	$25,000	1½%	1959	92.52	2.20%
25,000	1¼	1952	98.74	1.50	25,000	1¼	1956	94.51	1.90	25,000	1½	1960	90.91	2.30
25,000	1¼	1953	97.93	1.60	25,000	1½	1957	95.39	2.00	750,000	1½	1961	89.19	2.40
25,000	1¼	1954	96.94	1.70	25,000	1½	1958	94.01	2.10					

(accrued interest to be added)

These bonds are offered, when, as and if issued and received by us, and subject to approval of legality by Messrs. Wood, King & Dawson, Attorneys, of New York City.

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Stranahan, Harris & Co. Incorporated — Nusloch, Baudean & Smith — Trust Company of Georgia — Graham, Parsons & Co.

Hornblower & Weeks — Commerce Union Bank — Stroud & Company Incorporated — Bacon, Stevenson & Co. — Coffin & Burr Incorporated

Otis & Co. (Incorporated) — R. S. Dickson & Company Incorporated — First of Michigan Corporation

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Railroad Securities

Speculators in the junior bonds and the stocks of the reorganization railroads have been having a sorry time of it ever since the so-called Wheeler-Reed bill was vetoed last summer. Since then the St. Louis-San Francisco reorganization has finally been consummated and the new securities actually issued. No legislation can now be of any help in that proceeding. The Supreme Court early in February countermanded a stay order issued by the Circuit Court of Appeals in November in the Denver & Rio Grande Western case, and the reorganization was ordered consummated without delay. It is generally expected that these new securities will be delivered by about mid-April. Certainly this proceeding also appears safe from any legislation that may now be enacted.

Missouri Pacific securities holders had placed considerable faith in the new compromise plan that had been worked out in conferences between most of the major interests. So far this faith has not proved justified. Representatives of the various security groups had petitioned the Circuit Court of Appeals to remand the proceedings to the District Court as a preliminary move towards sending it back to the Interstate Commerce Commission. It had been hoped that it would be possible in the reopened hearings to present the Commission with a new plan that had the support of a large proportion of the holders of affected securities.

The new compromise plan that had been drawn up provided for improved treatment all along the line, and the salvaging of an interest for the old stocks. These stocks are eliminated in the present plan. This improved treatment was to be made possible by reallocation of securities originally provided for claims since paid off, and by reducing the interest rate on the new first mortgage bonds to 3½%. As an alternative to remanding the plan back, the Circuit Court held that balloting should proceed and the result thereof then brought to the attention of the Court. Considering the extent of the agreement of interested parties on the new compromise plan it seems likely that the voting would go against the present plan. Then the Court would be faced with the decision as to whether or not the objections were justified.

So far the higher courts have consistently upheld plans even in the face of an adverse vote. In previous cases, however, the adverse vote has been confined to one or two groups (generally junior bonds or small mortgages) while the adverse vote in the Missouri Pacific case might well extend to all groups. The reaction of the courts to a generally adverse vote will be interesting to follow. In the meantime, further important delays are in prospect and the whole matter would presumably become academic if broad new reorganization legislation were to be adopted in the present Congress and approved by the President.

The latest blow to the stockholders and junior creditors of bankrupt railroads came in the Chicago, Rock Island & Pacific. This plan had already been approved by the courts and by a majority of most of the creditor groups voting on the terms. The major adverse vote had come from the holders of the unsecured 4½s, 1960. However, the District Court refused to confirm the plan after the balloting, the first time such a contingency had arisen. The District Court ordered the plan back to the ICC on the grounds that property and financial improvements and changed earnings prospects subsequent to original court approval had made the plan obsolete.

This refusal to confirm the plan was appealed to the Circuit Court of Appeals. The latter court late last week reversed the lower court, and ordered the plan returned immediately to the District Court with directions to confirm it. The Appeals Court pointed out that the Supreme Court in the Denver & Rio Grande Western case upheld the theory that cash accumulated since the effective date of the plan is for the benefit of the new stockholders. It was also held that the question of reallocation of securities provided for creditors since eliminated had already been disposed of. Finally, the Circuit Court of Appeals on the question of earnings pointed to the 50% drop in 1945 as compared with 1943. At least so far as the courts are concerned it has again been demonstrated that the Interstate Commerce Commission is still considered as the best judge of railroad earnings prospects and has the responsibility for devising reorganization plans.

Young and Gromyko Will Discuss Russia

Robert R. Young, Chairman of the Board of the Chesapeake and Ohio Lines, will be one of the

Robert R. Young Andrei Gromyko

speakers at the annual dinner of the Overseas Press Club of America to be held at the Hotel Waldorf Astoria on Tuesday, March 4th. Mr. Young will give the American businessman's view on the possibilities of getting along with Moscow.

Andrei I. Gromyko, permanent representative of the USSR to the UN, will also discuss the Soviet-American situation, but naturally from a somewhat differing approach.

Senator Warren R. Austin, delegate of the United States to the United Nations; Hector McNeil, Minister of State for Great Britain, who will arrive this week to head the UK delegation to the UN Security Council, and Senator Chan Gurney, Chairman of the Armed Services Committee of the Senate are going to make key speeches—on the eve of the Moscow Conference.

Mr. McNeil, who is second in command to Ernest Bevin of Great Britain, will make his first and only speech in the States. Senator Gurney is planning to give important figures of American troops abroad, what they cost and where they are.

A reception before the banquet will honor the 21 correspondents of the club who have written chapters in the book "Deadline Delayed" to be published by E. P. Dutton & Co. on the same day. The stories are those which could not be told during the past years because of censorship or diplomatic policy. Authors to be present include Edgar Snow, Dick Tregaskis, Irene Kuhn, Bob Considine and others. W. W. Chaplin, President of the Club, will preside.

Proper Debt Management Key to Currency and Price Stability

(Continued from page 1125)

tional investors only securities maturing in ten years or more. These securities, on Sept. 30, 1946, constituted only 6.67% of the government security portfolio of the 7,355 commercial banks. But it is doubtful whether institutional investors or individuals will be willing to acquire even this relatively small amount of securities. Government obligations eligible for purchase by the commercial banks are selling at about three points higher than those which are not eligible, and hence the return is lower. Institutional investors other than commercial banks would obviously buy securities not eligible for the latter. It may be concluded, therefore, that the banks will not be able to shift through direct sales any considerable amount of government securities on other investors. Hence the assertion, often made, that, if short-term and medium-term rates were to increase the banks would be inclined to liquidate their long-term government obligations, does not hold true, because in the first place the amount of such securities held by the banks is rather small and, secondly, institutional and individual investors would not be interested in acquiring the types of bonds.

"It may also be assumed," continues the analysis, "that the physical volume of business activty will be substantially higher than that before the outbreak of the Second World War and considerably higher than the level which prevailed in 1929. The index of physical volume of industrial production (1935-1939=100), as prepared by the Board of Governors of the Federal Reserve System, stood at 110 in 1929, averaged 203 in 1945, and declined to 182 in November 1946. Should the index of industrial activity recede to 110, where it was in 1929, the United States would be in the midst of a very serious depression and confronted with large-scale unemployment. While in 1929 a national income of $83.3 billion meant a high degree of prosperity with very little unemployment, a decline of the national income to an amount below $100 billion would result in large-scale unemployment and economic distress throughout the country. Not only has the population increased between 1930 and 1945 by 16.5 million, but also the standard of living of a large number of people has risen to a level higher than that of the prosperous '20s. Since an increase in production, national income, and standard of living must be accompanied by increased distribution of goods and services, the third assumption may be made that the volume of trade, wholesale as well as retail, in the postwar period will be substantially higher than it was prior to 1941 and during the prosperous '20s."

Regarding the policy of increasing bank deposits and currency, the Bulletin of the Institute of International Finance remarks:

"The fact that the volume of currency in circulation as well as deposits of indivduals increased so rapidly during the war is clear proof that individuals could have bought more government securities than they actually did. Since Congress did not increase tax rates nor impose new taxes as the enormous war expenditures kept on raising deposits to new levels and since the population as a whole did not buy as many government obligations as they could, the government had to rely on the commercial banks for absorbing its obligations. The penalty for the unsound method of financing the war expenditures is being paid by those who saved part of their income and invested in monetary claims which have been losing purchasing power, particularly after hostilities came to an end. The Treasury as a debtor, however, benefits from high commodity prices since they produce large tax revenues.

"It is impossible to state, for the time being, whether the decline in the purchasing power of the currency is temporary or permanent. Many people still are of the opinion that commodity prices will retrace the pattern of the price movement after the First World War, namely, that the sharp increase will be succeeded by a material decline, thus increasing the purchasing power of the currency, while others expect only a moderate decline in commodity prices as soon as production has reached peak and the productivity of labor has increased."

The Bulletin concludes by stating that "the increase in the amount of government securities held by the commercial banking system has had a profound effect on the economy of the country. The means of payment have risen beyond the needs of industry and trade. The Treasury, cognizant of the situation, has taken measures to reduce the government security portfolio of the banks and thereby reduce the volume of deposits. Quantitative credit control is at the present time vested entirely in the Treasury, while the Reserve authorities concern themselves primarily with qualitative credit control. The management of the public debt will continue to exercise a strong influence on the volume of the means of payment and indirectly on commodity prices and business activity. The Treasury, therefore, must consider carefully its debt-management policies, not merely in regard to their effect on the cost of carrying the public debt but primarily because of the weighty economic consequences these policies will have.

"Under existing conditions it would seem proper to assume that a definite debt-management policy will be formulated by the Treasury only after the budget has been enacted and the trend of commodity prices has become clear. Should the budget indicate a substantial surplus and should commodity prices tend to decline, the Treasury may not feel it advisable to offer new long-term government obligations to non-bank investors and use the proceeds to further reduce the holdings of government obligations of the commercial banks. This will be particularly the case if the volume of bank loans should either not materially increase or actually decrease. On the other hand, if the budget should not show any substantial surplus and should commodity prices continue to rise, the Treasury will issue new obligations to non-bank investors resulting ultimately in a reduction of deposits. Although the public debt of the United States is exceedingly large, it is entirely within the carrying capacity of the country. The productive plant as well as the population have increased materially. Commodity prices are considerably higher than during the '20s and in all probability will not decrease to the level that existed during the '20s and certainly will not go down to the depression levels of the '30s. It is of the utmost importance, however, that during the next few years of expected high business activity the public debt is reduced substantially and that the Treasury handle the debt problem as skilfully as possible."

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Scores "Purchasing Power" Theory

Henry Hazlitt says it is fallacious since higher wage rates, which mean smaller sums left for investors and employers, do not add to general purchasing power. Points out wages are not only income, but also "costs" and concludes wages can be permanently raised only by increased productivity of worker and not by fiat or governmental policy.

Speaking before the Business and Professional Men's Group of the University of Cincinnati at Cincinnati on Feb. 21, Henry Hazlitt, Associate Editor of "Newsweek Magazine" attacked the theory that purchasing power is increased by arbitrary increases in wages or by monetization of the public debt, as viewed by the Keynesian economists and the advocates of deficit spending.

Henry Hazlitt

Mr. Hazlitt, author of the recently published book "Economics in One Lesson," said America's business outlook in the coming years depends chiefly on political and union policies, and that further wage increases may mean the greatest current danger to prosperity and full employment.

Calling attention to a Federal budget that is still far from being securely balanced and a Federal Reserve cheap money policy which can only be maintained by a further inflation and monetization of the public debt he saw factors ahead pointing to inflationary dangers, and he added:

"Both of these dangers can be averted only by a policy which would seek at once to (1) bring unbalanced budgets to a halt, (2) gradually terminate the cheap money policies, (3) gradually diminish excessive foreign lending, (4) permit a reasonable inflow of imports, and (5) restrain extreme demands of powerful unions."

Mr. Hazlitt continued: "As a self-imposed restraint seems too much to expect, in the light of the history, psychology, and politics of labor unions, the chief hope here lies in amending our labor laws to reduce the excessive immunities and monopolistic powers now granted to labor unions.

"It is not improbable that we will pursue a policy of further wage rate increases made possible by further monetary inflation. This could give the appearance of great prosperity for several years, but it would only build up a later and greater crisis.

"Yet precisely this policy is made probable by the prevalence of the purchasing power theory. This theory is fallacious. Even if higher wage rates always meant higher total payrolls, the larger sum now paid out to workers would merely mean a smaller sum left over for investors and employers. There would be a transfer of purchasing power, not a net increase of it. But if wage rates are already at or above equilibrium levels, as many key wage rates are, then a further increase without further monetary inflation must merely lead to unemployment and industrial imbalance."

"Real purchasing power," Mr. Hazlitt pointed out, "grows out of production. The purchasing power theory puts the cart before the horse. The germ of truth in the theory is that when production is high, real income is high and real purchasing power is high. But that is because all of these are in effect merely different names for the same thing.

"The purchasing power theory looks at the problem of purchasing power merely from the standpoint of a single group in the community—usually labor. It overlooks consequences to all other groups. True, wages paid to labor are labor's income; but they are the costs of production of employers.

"The purchasing power theory finally resolves itself into an inflation theory. An increase in monetary purchasing power increases the price level. The groups that do not get the increase in monetary purchasing power simply suffer a reduction in their real purchasing power in terms of goods. At best, inflation is merely a round-about and back-door method of restoring economic equilibrium. The correct theory of production and distribution is the equilibrium theory. The best prices are the prices that balance supply and demand. The best wage rates are the wage rates that balance supply and demand for labor, that make possible full employment, full production, and the largest possible payrolls."

Functional profits Mr. Hazlitt defined as "the profits that encourage maximum balanced production in all lines, that encourage investors to provide the fullest possible employment. The best functional relationship between costs and prices is that which makes possible the fullest production and the fullest employment."

Concluding his talk, Mr. Hazlitt stated, "Wages can be permanently raised not by fiat or 'governmental policy,' but only by increased production and increased productivity per worker."

S. H. Bennett Co. in N. Y.

S. H. Bennett & Co. has been formed with offices at 321 East 52nd Street, New York City to engage in the investment business. Partners are Sidney H. Bennett and Henry P. Rosenfeld.

J. W. Leason to Join Salomon Bros. Hutzler

Jack W. Leason, public utilities analyst for the Securities and Exchange Commission, has resigned his post effective March 17th and will become associated with Salomon Bros. & Hutzler, 60 Wall Street, New York City, members of the New York Stock Exchange.

John Hance Dies

John A. Hance, member of the New York Stock Exchange and a senior partner in the Exchange firm of Jesup & Lamont, New York City, died at his home at the age of 92.

NEW ISSUE

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Amount	Maturity	Yield	Amount	Maturity	Yield	Amount	Maturity	Yield or Price
$660,000	1949	.75%	$800,000	1961	1.50%	$240,000	1971	1.70%
660,000	1950	.85	800,000	1962	1.50	240,000	1972	1.70
670,000	1951	.95	200,000	1963	1.55	240,000	1973	100
670,000	1952	1.05	210,000	1964	1.55	250,000	1974	100
670,000	1953	1.10	210,000	1965	1.60	250,000	1975	100
680,000	1954	1.15	220,000	1966	1.60	260,000	1976	100
680,000	1955	1.20	220,000	1967	1.65	260,000	1977	99
680,000	1956	1.25	220,000	1968	1.65	270,000	1978	99
790,000	1957	1.30	230,000	1969	1.65	270,000	1979	98½
790,000	1958	1.35	230,000	1970	1.70	280,000	1980	98½
790,000	1959	1.40				280,000	1981	98
790,000	1960	1.45				290,000	1982	98

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New York, February 26, 1947

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Mutual Funds

By JOHN DEAN

Every Investment Is a Special Problem

Keynotes of the Keystone Company of Boston maintains that successful investment is not merely a matter of obtaining maximum safety, or of beating the market, but of having a program to meet each individual investor's needs. Each type of group which they present they think fits the needs of certain definite investors. They tell of their supervisory service, their large research organization and of how investors' capital is not only thoughtfully invested but safeguarded by the trust department of a large bank.

Durable Goods Occupy a Strategic Position

"Perspective" issued by the management department of Calvin Bullock, finds that durable goods, now as always occupy a strategic position in our economic system. The thesis of "Perspective" is that durable goods prices have now reached a level, which if sustained, will go far toward satisfying deferred demand in many items by the end of the year. If then adjustments take place in the form of price weakness there is no cause for alarm.

A chart revealing the continued shipments of non-durable goods shows their improved record. After a careful analysis of the factors on both sides of the question of good or bad times ahead, "Perspective" reaches the conclusion that "given a period of respite from labor strife and an increased capacity for sheet steel, one may venture to predict neither the low productivity of labor nor the high break-even points of industry will continue to monopolize conversation in the financial community."

Select Securities for a Specific Purpose

The Portfolio Review of the **George Putnam Fund of Boston** describes a new method of arranging and presenting the **Common Stock** portion of the Fund—dividing the investments by purpose rather than by industry as heretofore. This they think will (1) focus attention on the functional distribution of the Fund's equity section; (2) it will give the investor a clearer idea of the Fund's broad investment program.

Under this new distribution of the Common Stock portion of the Fund is divided into three main sections, namely: (1) growth section, in which will be common stocks selected for their long-term growth prospects; (2) income section consisting of issues having a long record of dividend payments and providing a large current income; (3) special situations consisting of issues attractive primarily because of fundamental change taking place within the company itself.

Good Investment Opportunities Made Better by Liquidation

The New York Letter published and issued monthly by **Hugh W. Long & Co.** discusses the important period of liquidation through which we have been going and the prospect, of leading corporations reporting an increase in earnings and dividend payments for 1947 over 1946. To their manner of thinking the labor peace of recent months represents a permanent change for the better, and in addition to labor peace, labor is becoming more efficient. In their judgment the recent corrections of maladjustments are good for the economy. Agricultural prices had become too high. Demobilization of Government controls is of the greatest importance to investors because "business is being released from a straight-jacket. This should again give our dynamic free enterprise economy an opportunity to reassert its strength."

Business Readjustment Is in Prospect

National Investors Corporation letter comments on conflicting utterances of forecastors which may confuse the minds of investors as to the desirability of maintaining or increasing their investment commitments. They find that those who look for adverse factors emphasize some potentially disturbing influences, such as: are inventories too large in relation to the present volume of sales? Are agricultural prices in a vulnerable position? Can the possibility of strikes be dismissed? To offset this, they point out a moderate readjustment could produce very salutary effects in residential building. More houses will necessarily extend the construction of municipal services, especially in the electrical generating industry. Consumer spending is able to buy all the available automobiles. Their survey, they state leads to the conclusion that a business readjustment is in prospect which will be moderate in its effects on the volume of business but less serious than expected in some quarters. It may begin sometime this year. Because the national economy is now more vulnerable to the effects of strikes than last year large strikes could have disagreeable effects. Attention must be given to the labor situation, the significant factors now point to a readjustment of moderate scope. With such a business background the fluctuations of the stock market may be largely determined by the ebb and flow of investor confidence rather than a major change in the general level of earnings and dividends.

Industrial Trends

Record-breaking volume of building construction **Industrial Trends** prepared by **Hare's Ltd** holds continued large farm income appears probable, despite decline in commodity prices. Also that a record-breaking volume of building construction in 1947 has been predicted. Prospects are for more than 20 million tons of paper and paperboard for 1947. Leading oil companies are expected to report 1946 earnings approximately 25% above 1945. Steel industry production, shipments and profits should further improve this year. **Stock & Bond Group Shares**, they tell, provide, by one certificate, an investment in leading industrial corporations engaged in industries which appear to have a favorable outlook for growth.

Coming Boom in Capital Goods

According to the Report to the Board of **Group Securities, Inc** the investing public is appreciating the coming boom in the capital goods industries. Accompanying the capital goods expansion will be continued heavy output of consumers' durable goods and sustained home building. For this reason the **Group Securities** report points out that best selections are steel, building, industrial equipment, and electrical equipment shares. These, they say, are the logical selections.

Everything Has Gone Up—Naturally

Investment News of the **Distributors Group, Inc.** shows a chart of a 10-year change. It portrays how everything excepting stock prices has gone up. Truly, they write, "stock prices seem to be 'out of line' with all prices."

Leading Economists Are Predicting Higher Dividend Payments

Purchasers of well selected stocks for income should enjoy most satisfactory results during 1947 is what the **National Securities and Research Corporation** are stating. One amazing affirmation is that last year 26 stocks passed their dividends and 74 reduced payments. This makes selections so difficult that a fund such as the **National Securities** which presents the professional selection, diversification, and continuous supervision of portfolio is they think designed to assure a dependable return and continuity of income payments. Their six **National Series** that emphasize income are: Bond Series, Low Priced Bond Series, Preferred Stock Series, Income Series, Stock Series, and Speculative Series.

Multiple Purchasing Program

In their 14th annual report the **Commonwealth Investment Co.** give a detailed account of their Multiple Purchasing Program. They feature the fact that it is intended to provide a convenient means whereby a person may build an investment in a diversified investment fund. They point out it may be started with as little as $50.00 and subsequent investment payments may be as low as $25. Dividends, they stress, are automatically reinvested at net asset value without additional charges and that by paying small sums investments may be made while accumulating savings.

On Dec. 31, 1946 the company had on their lists 190 securities, exclusive of United States Government issues.

A chart illustrates results for the 14-year period of the fund's operations.

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Czech Trade With Germany Arranged

Officials of three countries agree on procedures between Czechoslovakia and German zones.

BERLIN, GERMANY—Feb. 1 (Special to the "Chonicle")—At a three days' conference in Berlin representatives of Czechoslovakia (headed by Zdenek Augenthaler) and of the Combined British and U. S. Zones (headed by C. B. Dyson, British, and M. S. Szymczak, U. S.) agreed on the procedures for the furtherance of trade between Czechoslovakia and the Zones.

Lists of goods offering definite possibilities for trade in 1947 were drawn up. Provision was made for dealing with port charges for Czechoslovak traffic. Both sides agreed that for the time being an important aspect of their mutual trading lay in the consignment of raw materials for processing and return as finished or partly finished articles, and in the agreement between them emphasis is laid on this point.

The usefulness of non-transactional mail as a means of expanding trade was accepted by both sides. Tentative arrangements for the visits of businessmen to Germany were explained and were accepted by the Czechoslovakian delegation.

With regard to transport, the need for more efficient interchange of wagons was discussed. The Czechoslovakian delegation stated that 13,400 man hours per month are available for repair of heavily-damaged wagons. It is anticipated that heavy repairs of approximately 50 such wagons could be handled each month and that additional workshops may be available to meet further requirements of the U.S./U.K. combined Zones.

Warren Wood Member Of Detroit Stock Exch.

DETROIT, MICH.—Warren A. Wood of Baker, Simonds & Company has been admitted to membership of the Detroit Stock Exchange it was announced by Max J. Stringer, Chairman of the Exchange's Committee on Admissions.

Mr. Wood's experience on Griswold Street dates back to 1928, when he first entered the securities business as a floor trader for Whittlesley, McLean & Company. Later he became an odd-lot specialist, which position he filled for Alison & Company from 1931 to 1942. During the war years he was with McAleer Manufacturing Company and Boeckeler Associates, Inc.

With Wynn F. Wakeman, Mr. Wood will operate Baker-Simonds' odd-lot post on the trading floor of the Detroit Stock Exchange. Charles A. Kreidler of the firm will now devote his entire time to round-lot trading.

FRASER

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Government securities continue to move in a very narrow range, as the market tries to evaluate the effects of the rather sizable reduction in debt. . . . Secretary Snyder lost no time in announcing cash repayment of the 1¼% notes (on the 15th of next month), when it was evident Treasury balances would be sufficient to cover the large March operation. . . . The cash position of the Treasury is being augmented daily as income tax payments roll in ahead of time, as well as ahead of estimates. . . .

Although the shift in deposits from individuals to the Government is having a tightening effect on the money markets, this is considered a temporary situation that should be cleared up in the next two weeks or less. . . .

DEBT REDUCTION FACTOR

The debt reduction program moves on at a rapid rate, and while it will not be nearly as large as it was last year, it is quite likely to be more substantial than had been estimated by many in the financial district. . . .

It seems as though Treasury Secretary Snyder is still very much concerned over inflationary trends, and one way in which this can be fought is by reducing government debt, and bank deposits. . . .

The debt redemption that is going on now, is really deflationary because these funds are coming from income taxes, which means that corporations and individuals will not be able to use the money that is being paid out to the Government, which in turn is using a large part of it to repay maturing obligations. . . .

STILL WAITING

Despite all the talk that is heard about new issues of long-term securities for non-bank investors, each redemption date (when a new offering could be made very easily) passes, without these institutions getting long 2½s at 100. Conference after conference has taken place between Treasury officials and the large buyers of restricted issues, but up to now there has been no success on the part of the ineligible bond buyers to convince the powers that be that there is this great need for long governments at par. . . . From indications it will be some time before there is likely to be an offering of long ineligibles, and this could mean, at least, somewhat better prices for the longer-term issues in the list. . . .

It seems as though the earliest that one could expect a token offering of securities to non-bank investors would be on June 1st, when there is a maturity of certificates that are owned in the largest amounts by others than the commercial and Reserve Banks. . . . This would mean that about $1,500,000,000 of 2½s or shorter 2¼s would have to be issued to non-bank investors in place of the maturing certificates. . . .

To be sure this would result in an increase in debt cost, but the retirement of higher coupon obligations later in the year could offset the higher charges that would be brought about by having long-term bonds issued in place of certificates. . . . For market control purposes it might be advisable to increase debt charges slightly and temporarily, which means that practically every month the Treasury is in a position to issue some restricted issues in place of short-term obligations if there should be need for it.

MANAGED MARKET

Debt management is the all important element from now on, and this will include and probably emphasize not only retirement of callable or maturing securities, but also the level and position of the government securities markets. . . . Management of outstanding obligations is just as important as the subtraction and, at some time in the future, the addition of securities. . . .

A managed economy entails control in both directions and that is what can be expected from here on in the government market. . . .

MULTIPLE EFFECT

A small offering of long-term bonds to non-bank buyers in place of maturing issues, would not only prevent prices from running away on the up side, which is what many of the authorities fear, but it would also stop the sale of maturing or callable issues to the deposit institutions. . . . If non-bank investors believed they would get small offerings from time to time of longer-term issues to replace maturing obligations, they most likely would not be sellers, but would probably be buyers of the retirable securities. . . .

MARKET TEST AHEAD

It seems as though there will be a test of the market, especially the upper limits in the not distant future, which could be after the March financing is out of the way. . . . The reason for this opinion is that, first of all, there is a continued decrease in the outstanding supply through the debt reduction program. . . . Secondly, tight money conditions are temporary and will soon give way to easier money markets, which will increase the demand for a declining floating supply of securities. . . .

Dealers positions are very light. . . . A very sizable potential demand, waiting to buy with a minor recession in prices, could become actual buyers in the very near future, with a sustained and strong trend in prices along with increased volume. . . .

Also the psychological effects of even a well planned campaign of rumor and talk cannot bring results forever, especially when it is learned through experience, that very little of what has been reported, eventually happens. . . . Income is just as important now as it was some months ago, which means new funds are very likely to be going into longer governments. . . .

INCREASINGLY ATTRACTIVE

The attractiveness of Treasury issues is becoming more evident every day, despite fear of higher interest rates by the heads of some of our large institutions. . . . Compared with corporates and municipals, which will be increasing in supply, and neither of which have the same marketability or the same protection marketwise, it seems as though the Treasury issues are very attractive. . . . The risk factor is likewise increasing for both corporates and municipals, whereas with governments it is being decreased with each reduction in debt. . . . Higher interest rates or even slightly higher interest rates have always been the cry of those that are looking for a buying opportunity that may be a long time in coming, particularly since the debt and debt charges are and will continue to be very large which forecasts low interest rates. . . .

With no important changes anticipated in interest rates, and the risk element growing in importance, there should be more reinvesting in Treasury issues, by those that want to acquire the most riskless of all securities. . . .

Rules for Trading With Germany

New arrangements completed for granting facilities to foreign buyers seeking contacts with German manufacturers.

BERLIN, GERMANY—New procedures for the conclusion of export contracts involving the granting of facilities "on an increasing scale" to foreign buyers who wish to make direct contact with German manufacturers have been agreed upon in Minden by the Joint Export-Import Agency, M. S. Szymczak, Chief of the Trade and Commerce Branch, Office of Military Government for Germany (U. S.), informs the "Chronicle."

The text of the agreement, announced Feb. 4, follows in full:

Bizonal Arrangements for German Export Trade

1. The U. S. and British Governments, having entered into an agreement for the economic fusion of the American and British Zones of Germany the aim of which is the achievement before the end of 1949 of a self-sustaining economy for the area, announce that they have agreed to a new procedure for the arrangement of export contracts, which becomes effective forthwith.

2. Control of Foreign Exchange and the regulation of external trade are matters which must remain in Allied hands. The Joint Export-Import Agency at Minden has therefore been established for this purpose.

3. The Agency is establishing branch offices in the Land capitals throughout the area and in Berlin and, when necessary, in other commercial centers. These offices have power to sign export contracts.

4. Facilities will be given on an increasing scale for foreign buyers to make direct contact with German manufacturers and exports. Transport, accommodation and communications facilities will be improved as rapidly as possible for this purpose.

5. German traders may prepare contracts of sale with foreign buyers either by personal negotiation or through the non-transactional mail. The contracts must include certain standard clauses approved by the Export-Import Agency. Copies of these standard clauses will shortly be available at branch offices of the Agency and at the offices of the Minister of Economics in each land.

6. When the contract has been completed and signed by the German seller, it will be transmitted by him to the Minister of Economics in the land in which his business is situated, who will examine the contract according to certain principles to be laid down by the Executive Committee for Economics. If the contract appears to the Minister to conform to these principles, the Minister or his authorized representative will sign the contract to indicate that he is prepared to give such assistance as lies in his power to secure its fulfillment.

7. The contract will then be sent to the appropriate office of the Export-Import Agency and if approved will be signed by the Agency. The necessary export license will then be issued.

8. The above is an interim procedure only, the intention of the U. S. and British Governments being that direct contracts between German and foreign business firms shall be permitted as soon as possible.

Business Man's Bookshelf

Financial and Economic Survey of the Meat Packing Industry, A—W. E. Hoadley, Jr., E. Baughman, and W. P. Mors—Federal Reserve Bank of Chicago, P. O. Box 834, Chicago 90, Ill.—paper.

Battle for Investment Survival, The—G. M. Loeb—Barron's, New York, N. Y.—board.

Communists Within the Government—The Facts and a Program—Chamber of Commerce of the United States, Washington 6, D. C.—paper—50¢ (quantity discount).

International Commodity Agreements: Hope, Illusion or Menace?—Joseph S. Davis—Committee on International Economic Policy, 405 West 117th Street, New York 27, N. Y.—paper—10¢.

Railroad Consolidation Under the Transportation Act of 1920—William M. Leonard—Columbia University Press, Morningside Heights, New York 27, N. Y.—cloth—$4.00.

Aluminum Today And Tomorrow — A research report — Reynolds & Co., 120 Broadway, New York 5, N. Y.—paper.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

February 26, 1947

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Canadian Securities

By WILLIAM J. McKAY

The implementation of a bold policy for planned immigration will mark the dawn of Canada's greatest era. Little initiative will be necessary on the part of the Dominion as countless thousands of a suitable type of European emigrant are only awaiting such an opportunity. The present crisis in Britain places even greater emphasis on the necessity for courageous and inspired action.

It can now no longer be doubted that the old conceptions of Colonial imperialism have been rudely shattered. Even as far as Britain is concerned this is not necessarily tragic. In recent years the cost and responsibility of government of unwilling native populations have more than offset the value of Colonial and mandated possessions. On the other hand, reluctance to forget the past splendors of British Victorian industrialism and the outmoded strategic importance of Gibraltar, the Suez Canal and the Middle East has obscured the growing world importance of the Mother Country's lusty Dominion offspring—the sub-continent of Australasia dominating the South Pacific, the Union of South Africa at the gateway to East, and last but not least, the huge land mass of Canada at the center of the airmap and the vital northern buffer of this country.

The breakdown of the old world-power balance, the realization of the conception of "One World," and the community of interests, purposes, and ideals of the English-speaking peoples throw into sharp relief the necessity of greater population of the wide-flung strategically situated British Dominions. In this new age of aerial progress and atomic power the Dominion of Canada with the powerful and sympathetic backing of this country becomes the central figure in this fast unfolding scheme.

Old notions of incompatibility of climate and unsuitability for human habitation of Canada's vast empty northern territories have been rudely dispelled as a result of the war. During his lifetime, Stephen Leacock, a great Canadian economist and unfortunately perhaps better recognized abroad as a writer of humorous stories, was generally ridiculed especially in his own country when he prophesied that Canada would one day support 100 million people. Today in view of the Dominion's prodigious war effort, its emergence as a new world industrial power, the opening up of its vast and incalculably rich virgin Northern empire and the apparent shape of things to come, this reasoned forecast has a new and real significance.

During the week the main feature of interest was the 77 million U. S. dollar refunding issue of the City of Montreal which in a quiet market met with a remarkably satisfactory reception. At the same time a similar issue of 31 million Canadian dollars was oversubscribed in Canada. Elsewhere in the external section a block of provincial issues changed hands at prices approaching their all-time highs. The supply of suitable high-grade externals, however, is still very limited especially in view of the possibility of such bonds soon becoming eligible for purchase by New York Savings banks. Dominion of Canada internals were dull but the arbitrage supply was absorbed by steady investment demand. Free funds, after the recent display of pyrotechnics, were also quiet with little fluctuation around the 4¾% level. Canadian stocks were irregular in sympathy with the New York market but there were occasional buying flurries in the golds and base metals.

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CANADIAN SECURITIES
Government Municipal
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Burnside Offers Stock Of Signature Recording

Willis E. Burnside & Co. on Feb. 25 offered 295,000 shares of 25-cent par value common stock of Signature Recording Corp., New York, manufacturers of phonograph records. The stock is priced to the public at $1 per share.

Proceeds from the financing will be used for general corporate purposes. It is the present intention of the corporation to use these funds to expand its present facilities through the purchase of 12 new semi-automatic presses, to purchase and equip a new raw material plant with machinery and initial inventory, and to pay off a $25,000 outstanding note to the National City Bank of New York.

General Electric Supply Corp., wholly-owned General Electric Co. subsidiary, as national distributor, wholesales Signature Recording records through approximately 100 distributing offices in 45 states. This financing will enable Signature Recording to increase its output to take care of the expected increased demand from General Electric Supply Corp.

In January, 1946, the first full month of the corporation's operations, 59,377 records were produced, with gross sales receipts of $14,312. In December, 1946, 433,810 records were produced and gross sales receipts were $120,096. Thus in December production was over seven times larger and gross sales receipts were eight times larger than in January 1946.

German Economy in State of Pernicious Anaemia

(Continued from first page)

pacity left after these destructions. Germany is, owing to her war losses and the millions of men still being kept as so-called prisoners of war, terribly short of man-power and yet millions are unemployed, underemployed or wrongly employed. But is it not obvious that a principal cause of the economic disease has to be sought in the economic dismemberment of Germany by her division into four zones of occupation? Here is an essential bit of dire truth, but we are convinced that it not the whole truth and that, in fact, the disease is much more complex.

Economic Paralysis

When after almost 14 years I came back to Germany, literally the very first German I met in the train was a man who was about to edit a new periodical and who, after having expanded on his plans, asked me the highly embarrasing question whether I were a poet too. Here you have a symbol of what is happening in Germany: In the face of a desperate want which makes maximum production of all material goods the very first necessity, you see unemployment, underemployment and above all wrong employment, and that while the number of able-bodied men has been so terribly thinned out by the war. All this means that there is an appalling waste of man-power in Germany. Millions of Germans are doing things they would not do if they had a reasonable choice. The plumber or textile worker, let us say, is spending his days in bringing home in overcrowded trains some miserable potatoes or cabbages instead of repairing houses or weaving cloth and buying with his earnings those potatoes and cabbages on the regular markets. Others are doing all sorts of odd jobs, trafficking in cigarettes or other objects of the black markets, selling some bric-a-brac, filling out questionnaires, making applications, hanging around offices, standing somewhere in a long queue or doing anything to earn the few marks necessary for paying the nominal rent.

Now it is obvious that just as people cannot live from taking in each other's washing they cannot do so by selling cigarettes to each other, lecturing on each other or pushing carts for each other. A nation is living by some part of the population producing food and by another part producing industrial goods and services which are being exchanged against food coming from the country's own agriculture or from abroad. That is the normal mechanism of the national economy of an advanced industrial country. The fact, however, is that in Germany this mechanism does not work any more beyond only a fraction of what would still be possible even today after so many destructions. The rest is charity, administration, forms, and questionnaires.

But why this paralysis? Let us start by taking a simple but typical case. Here is a textile factory somewhere in Germany which has been permitted to work up some of its stock of raw materials. By producing, however, the manufacturer, is losing all the time because the prices are so fixed that he cannot cover his costs. That is not to say that it is wages which are responsible. On the contrary, these too are fixed at such a low rate that they are hardly an equivalent for the wear and tear of the worker's shoes and clothes. This manufacturer, indeed, told me that he was thoroughly ashamed to pay such a scandalously low wage and to be unable to do anything about it. The authorities fixing prices and wages know, of course, that they are fictitious but they do not dare to allow the necessary adjustments, for fear of starting the avalanche of inflation. But let us look further into this very curious business as I studied it during my trip through Germany. The daily wage the manufacturer was compelled to pay was 5 mark, but we have to note that the whole monthly food ration in that district was worth about 18 mark. If we add the rent which is equally ridiculous and some other things to be had at the fictitious prices of the "official sector" we see that the worker can use only a small part of his earnings at prices which are just as fictitiously low as his wage while the rest of his earnings must be spent outside of this "official sector" where it is next to worthless. In order to be able to buy the food ration and the other paltry things of the "white markets" it simply does not pay to work in our textile factory, to exhaust what is left of your physical force and to wear off your clothes. If you sell some cigarettes on the black market or do any odd job you are much wiser unless you can live on small savings or sell a china cup from your cupboard.

It is a mystery—not least to the managers I spoke to in Germany—that under these circumstances there are still workers to be found, and an ever greater mystery if they work with anything like normal intensity. Small wonder that even the thrifty German comes to the conclusion that the game just is not worth the candle. That is true of the worker, but it is also true of the German farmer. How can you expect top deliveries from a farmer who has to pay more for the sack than for the wheat it contains? Since we cannot place a policemen behind every farmer the inevitable result is that deliveries of German agriculture are falling off. The miracle is that nevertheless they are still so high.

Lack of Economic Order

Now keeping this picture of the German economy in mind, we proceed to translate it into more general terms. All those various symptoms of the economic disease in Germany suggest that the whole economic process in that country has been deprived to a large extent of those incentives and regulative forces which are the conditions of an orderly economic life. That is why the economic catastrophe in Germany must be of general interest to every economist—just as a "beautiful cancer" must be to any physician. The economic problem of Germany is not a mere problem of administration or zonal geography. It is the problem of the general conditions of economic order and therefore not dissimilar from a problem which presents itself today in milder forms in many other countries of Europe.

In order to see what is meant by an "economic order" let us remember that there are two ways, let us say, of building a house. A house—this sounds like a fairy-tale to millions of Europeans today—may actually come into existence because of a businessman finding it profitable to risk his capital in this venture, because of workers finding it profitable to work at certain wages for which they can buy something, because of people finding it profitable to give their savings for mortgages at a certain rate of interest, and finally because of other people finding it profitable to rent rooms at certain rates of rent. On the other hand, a house may be built by order of the Government which "apportions" the necessary raw materials, which gives—in the shape of subsidies or cheap credits—money wrung from the community by taxes, loans or inflation, which "directs" the necessary labor force, and which finally "distributes" the dwelling-space according to some more or less reasonable system of priority. My conviction is unshakable that the first method—which illustrates the economic order which we call the market economy—is immensely superior to the second, which illustrates the collectivist economic order. Anyway, we must make up our minds as to which course we want to follow. It we make one unworkable we must be sure that the other will work. If we destroy the economic order of free markets we must prove that we can attain an orderly economic process at least just as well by Government command.

The present economic situation in Germany consists in that here we have precisely this midway muddle of a decayed market economy whose functions cannot be—and at any rate have not been—taken over by a collectivist economy. The result is that there is very little left of any economic order at all, exactly as our examples suggest. In consequence, German economic life has, to a distressing degree, become a miserable sum total of primitive barter-transactions, with cigarettes taking the place of the proverbial glass beads of the old African trade. And now we understand why production figures are much below the level still possible after the war's destruction and the Potsdam policies.

The Nazi Economy in the Last Stage of Decomposition

Only very few people seem to realize as yet that in all this the Allies are continuing the Nazi tradtion, even to the point of using the whole jargon of their economic policy and speaking in the German equivalents of "apportioning," "directing," "controlling," or "priorities." Under the alluring name of "full employment" the Third Reich had begun a policy which subsequently destroyed step by step the economic order of free markets until finally a collectivist order emerged which, in its essentials, was not very different from the Russian. It is a great misfortune that for a while the Nazis seemed to make this system an impressive success, which gave it a prestige the world over which still persists. Indeed it is a curious fact that everywhere socialists, planners and champions of "economic control," whether they realize it or not, are still drawing on the Nazi model. That was obviously one of the reasons why the Allies, when taking Germany into their custody, did not hesitate to adopt the whole formidable machinery of Nazi collectivism with all its principles and notions. Up to the present, it does not seem to have occurred to anybody that, in the sphere of economic policy in Germany, "denazification" is at least just as urgent as in any other sphere.

It is high time, however, to recognize the fact that already under the Nazi regime the collectivist economic system had increasingly succumbed to the forces of disorder and disintegration inherent in such a system and that when the Allies took command, it was in a state of unmistakable dissolution. It was bound to go to pieces altogether when after the defeat the central authority disappeared, together with its formidable apparatus of coercion and propaganda and when, on top of this, the breakdown of Germany presented new and gigantic problems which could have been solved only by the most active and elastic economic system, that is, by the exact opposite of a collectivist system.

Long before the ghastly end,

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the most competent observers in Germany had seen more clearly than the outside world that the collectivist system of the Third Reich had led into an impasse, leaving no option but a resolute return to an economic order based on free markets and private initiative. But now the consequences of defeat have turned the mere impasse into chaos and decay. If we want to define the present pathological state of the German economy the nearest approximation to the truth seems to be that what we are witnessing today is the Nazi collectivist system in *articulo mortis*.

Open and Repressed Inflation

This process cannot be wholly understood without due regard to what happened to *German money*. Nazi collectivism could not have been carried through without a gigantic inflation, but it was an inflation of a peculiar kind which is another of those dubious inventions in economic policy which Hitler and Schacht bequeathed to our present world. Instead of the "open inflation" with which we had become familiar after the first World War, we now got the new type of "repressed inflation." In this system the whole frightful tyranny of a totalitarian Government made it possible for a long while recklessly to increase the volume of money and yet to make this inflation almost invisible by the collectivist method of a most rigid control of prices, wages, investments, and exchanges. In this way collectivism and inflation became interwined: it was inflation which made possible the waste and disorder of collectivism which made it possible to have inflation without run-away prices, wages, and exchange rates.

However, this "repressed" inflation—the now so fashionable combination of the inflationary upward pressure of prices, costs and exchange rates and the downward pressure of collectivist economic control — could never, at best, have been anything but a temporary device. In this competition of the upward pressure of inflation and the downward pressure of economic tyranny the former was bound to win in the end. Long before that bitter end of "repressed" inflation, however, the inevitably arbitrary fixing of prices, wages, and exchange rates caused a progressive distortion of the whole economic process, a distortion which is nothing but the gradual disintegration of economy brought about by collectivism. This means that, under the impact of "repressed" inflation much sooner than under that of "open" inflation, money loses its functions of directing and harmonizing the economic process and equipping it with the necessary incentives which ensure maximum production of the right kind of goods.

As a further consequence of "repressed" inflation, the Reichsmark lost its relation to the international system of values. Thanks to the long working of exchange control and all the other paraphernalia of autarchy (which so many other countries are now so eager to copy), you cannot tell what a mark is really worth in cents, pennies or centimes, and there is simply no possibility of calculating any true rate of exchange, a mathematical feat of which only a free exchange market would be capable. Thanks to collectivism, the Reichsmark has gone the way of the ruble, and all official rates of the Reichsmark remind us of the arbitrary way in which Roosevelt, as Morgenthau has told us recently, used to settle the gold price over the breakfast table.

Here in the field of money, it is necessary once again to understand the present state of things as the final stage of a long and hideous story. For what has happened in Germany is the almost complete breakdown of the whole elborate and admired system of "repressed" inflation. Pathetic efforts are still being made to keep up the "official" system of prices, wages, rents, and exchange rates, and to ward off the avalanche of "open" inflation, but all these figures are so utterly "wrong" that they fail completely to harmonize and animate production and exchange. It simply does not pay to work at the official wage or to sell agricultural products at the official price so that black markets have become a necessity in Germany. But the responsible authorities do not dare to let the handle of repression go, for fear of "open" inflation. They prefer to go on "controlling," "fixing," "directing," "licensing," "apportioning," "distributing," filling the deficit of production somewhat out of their own pockets and reducing as best they can the appalling misery which still remains and which is even increasing every day.

Zonal Autarchy

Now we are able to say precisely what is wrong with the zonal divisions in Germany. It is essential to realize that such a decentralized system of occupation might have been of little economic consequence if we had still in Germany a kind of economic order which did not make economic life dependent on the Yes or No of the administration. but instead of such a market economy, which is essentially "unpolitical," the Allies found in Germany a highly developed collectivist system which they adopted, while at the same time they split up the political authority on which such an economic system entirely depends. Under such an economic system you are bound to have as many national economies as you have different administrations commanding the economic life. Now we have in Germany not only a British, American, French and Russian "national economy," but to some extent even a Bavarian, Hessian or what not—not because there are so many different governments but because there is an economic system which makes economic life dependent on them.

The division of Germany into different zones of occupation would have been bad enough in any case, but it has led to a real catastrophe because it has been grafted on a collectivist economic system. Rarely has the disintegrating force of collectivism been so cruelly revealed as in the case of Germany, where we see that under such a system economic integration cannot reach further than the word of the directing, commanding or forbidding authority. It means tyranny within and separation without it. It is a real tragedy that those responsible for the arrangements in Central Europe seem to have had no idea of what collectivism means. They cannot have realized that the extent of the Russian zone in Germany would necessarily mean that a completely intolerant economic and social system of its own would extend its reach, like a menacing dagger, far into Western Europe. They cannot possibly have been aware that by this zone Germany, i.e. Central Europe, would be forcibly torn into two inconsistent parts. They cannot clearly have taken into account that to divide Germany into separate zones of occupation *and* to commit oneself to a collectivist economic system would necessarily result in a dismemberment of the national economy such as this country has not seen since the earliest Middle Ages. Of all this the responsible people must have been blissfully ignorant or the fatal decisions reached at Teheran. Yalta and Potsdam would be simply criminal. But it seems unpardonable that one did not know all this or listen to those who knew. Anyway it is utterly inexcusable not to know *now* what collectivism implies and to draw the obvious conclusions for making an end of the economic mess in Germany.

Outline of Remedy

What are these conclusions? Leaving to another occasion the details of a program of economic reform in Germany, we are convinced that the barbarous economic dismemberment of Germany must be brought to an end by the merger of the different zones. But we must not forget two things. The first is that after the American and British zones have already been combined and since the French may be expected to join sooner or later, the whole problem boils down to the question whether and under what conditions a merger with the Russian zone is feasible. We believe that it can be envisaged by the Western Allies only under conditions which would be tantamount to a practical retreat of the Russians from Germany, but we are further convinced that even then the Russian zone which has been ruined beyond description would in the beginning be a heavy liability rather than an asset. The second point we must bear in mind is this: since the evil is not simply one of mere geography, but one of the economic system, the results of any admistrative reform like that of the merger of zones will be disappointing unless this is accompanied by a radical reform of the present economic system in Germany.

The prerequisite of a return to economic sanity in Germany is the radical reform of the German money system. This reform must restore the mark as the true measure of values, as the trusted means of exchange, and therefore as the agent which harmonizes and integrates the economic process. To this end, the "repressed" inflation must be stopped by two measures at the same time, the one hitting at repression, the other at inflation: first, by mopping up the surplus purchasing power slowly submerging all sectors of German economic life in spite of all repressive controls, and secondly, by dismantling the formidable apparatus of economic repression. In other words, the monetary reform in Germany must be more than just that: it must be combined with a thorough economic reform. There would be little sense in making an end of the "repressed" inflation if we were to retain the strangling devices of economic repression an to go on "directing," "controlling," "licensing," "prohibiting," and what not. Though all of these devices cannot be thrown overboard at once, the aim must evidently be to set the paralyzed German economy in motion and to replace the economic fictions by realities. This supposes the restoration of an essentially free market economy which would make it possible to learn once again the real value of things and which would release the dormant forces of production in Germany. It goes without saying that it would be entirely futile to start the whole program of economic recovery if the nefarious policies of industrial destruction and disorderly reparations — of the "take the seed-corn"-type—will not be stopped.

Germany is the only country in the world today which has a paper currency but no authority or central bank regulating it. There is no Reichsbank any more. Nobody knows the amount of the note circulation; nobody knows, or is able to control, the use made by the Russians of the note cliches which the Americans have handed over to them; nobody even seems to know where the note cliches of the Reichsbank are. But everybody knows that the pressure of this unknown and uncontrollable amount of paper money on prices and costs is rising relentlessly and that the pathetic efforts of repression will remain futile while suffocating economic life. Whatever we may think of the Germans, common decency and a mere sense of order demand that we make an end of this ghastly mess.

To that end, however, we need a central money and credit authority which carries through the monetary reform and which con-

(Continued on page 1138)

All of these securities having been sold, this advertisement appears as a matter of record only and is not under any circumstances to be construed as an offering of these securities for sale, or as a solicitation of an offer to buy any such securities.

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February 27, 1947.

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Securities Salesman's Corner

By JOHN DUTTON

"As you think so shall you be." "The wish is father to the thought and the thought is father to the deed." "Think success and you will accomplish success." These and many other such sayings have been repeated for years and many people swear by them. Others joke about them. One thing is as sure as sunrise and that is YOU NEVER SAW A SUCCESSFUL MAN YET WHO DIDN'T BELIEVE IN HIMSELF. Those of faint heart have won very few ladies or anything else for that matter.

Basing his ideas upon this thought, a successful syndicate manager of a large organization in New York sent the following letter to his men some years ago. Ideas like this live well; they are as true today as they were back in 1937.

June 21, 1937.

A Syndicate Department Letter
(Confidential)

The writer has been thinking of means and ways to stimulate your production efforts and after you have had your laugh at the humorous aspects of this story I would like you to study carefully the moral of this story.

Referring to the New York "Times" of Saturday, June 12th, 1937, we find an article on how an unsuccessful broker became a star salesman after a surgical operation.

Mr. William L. Lawrence of the "Times" wired his story to the editor on June 11th, 1937, from Atlantic City reporting the case of an unsuccessful Chicago stockbroker who became a millionaire soon after a radical operation on the thinking centers of his brain. This case was reported at the annual meeting of the American Medical Association by Dr. Ward C. Halstead, University of Chicago neurologist.

Mental tests for two years after the operation, Dr. Halstead reported, showed that the man had GREATER PERSISTENCE, GREATER OPTIMISM AND SELF-CONFIDENCE AND A LACK OF A TENDENCY TO WORRY. Dr. Halstead reported that before the operation the man had been deteriorating rapidly and had failed in business. The next time he was heard from he was managing a gold mine. This venture failed through no fault of his.

After the operation he took a job as salesman for a line of goods about which he knew nothing. In his first week, Dr. Halstead reported, his sales amounted to a quarter of a million dollars, the biggest business ever obtained in a week by that particular company. His sales kept mounting until the company had to expand its plant and he was made vice-president.

The writer desires to direct your attention very emphatically to the fourth paragraph above which states that after this operation the man had greater persistence, greater optimism and self-confidence and a lack of tendency to worry.

Here you have the psychological elements which enabled this man to succeed after utter failure. It behooves us to note these elements carefully, to use them and remember them in performing our daily tasks.

The writer hopes that this story may inspire you to greater persistence, greater optimism, greater efforts and better results.

Signed _____

Note that the lineup starts with greater persistence. All these qualities will make for success but above all PERSISTENCE and day in and day out work is a must if you are going to get anywhere doing almost anything.

*Airline Foods Corporation—Common

*Denman Tire & Rubber Co.—Common

*Prospectus on request

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German Economy in State of Pernicious Anaemia

(Continued from page 1137)

trols the German money and credit system. Leaving once more aside all the complicated details, we realize that here the question of zones becomes of the utmost importance. It is obvious that the area over which the new money and credit authority has command will determine the extent of what we might call the "national economy" of Germany. This area ought to cover the whole of Germany, but in view of the enormous difficulties presented by the Russian zone and also in view of the utmost urgency of reform we propose the "nuclear" approach, which consists in the American and British authorities declaring without delay their intention to carry through the monetary, financial and economic reform within their combined zones and inviting the Russians and French to join them if they want to partake in the advantages of this nucleus of industrial prosperity instead of pursuing their present course. To join, however, this sphere of the "West-Mark" (as we might call the new currency unit against which the present Reichsmark will be exchanged at a rate of, let us say, 100:1) would not be a mere matter of political expediency. It would mean complete acceptance of the principles of economic order on which this sphere will and must be based, principles which might be defined as the very opposite of everything the Russian economic system stands for. They are the principles of which the United States are today the main rampart in the world.

Furthermore, it would mean that the Russians must give up any ambitious policy of incorporating the Russian zone of Germany in their bloc of countries or to infiltrate, in their wily way, even into Western Germany. There must not be any "Controling Boards," or anything of this sort in Western Germany which would give the Russians the foothold which they so ardently desire. If the Russians accept all these conditions, well and good. If not, no time ought to be lost to start the reform in the "nucleus" which would then become the national economy of the *West-German Confederation*. If anybody doubts whether it would have any chance to live let him remember the smaller example of Belgium. It is indeed such a sort of larger Belgium which this West-German Confederation might become, that is to say, a country which depends for the livelihood of its inhabitants on the exports of a highly developed industry, besides a most intensified small-scale agriculture, and which, because it is so absolutely dependent on international trade, will be forced more surely than by all the follies of the Potsdam policy to behave peacefully. Much as it must be our aim to extend this "nucleus" beyond the eastern demarcation line, we must never forget two things: first, that it would be suicide to agree on such an extension except on conditions which amount to the practical retreat of the Russians, and secondly, that the situation in the western zones has become so desperate that not a single day must be lost to save at least these from an unspeakable catastrophe.

Economic Blood Transfusion

The unpleasant truth is that these one and a half years of Allied occupation are now ending in a disaster which no euphemism of official statements can hide any longer. While German economic life had been decaying the cost of resuscitating it has been increasing all the time in a geometrical progression. If you do not repair the leaky roof in time the rains will ruin everything, and the longer you wait the more you will have to repair. This is just one of the numerous examples for the vicious circle which is working everywhere in Germany today. The longer you let the Germans starve at the present rations the quicker their physical capacity is falling, and today the strength of millions has reached the Buchenwald level if it is not even lower already. The longer you let the machines rot the sooner they will become altogether useless. The longer you let the productive capacity of Germany go to waste the more hopeless becomes the task to set it in motion again because in the end you have no more a single hammer nor a single nail to drive in nor an electric bulb to light you. We are already dangerously near this point, even in Western Germany.

German economy may be said to suffer from a case of pernicious anaemia, so pernicious, indeed, that, without consulting their sympathies for the Germans, the Allies had to apply the indispensable and life-saving practice of blood transfussion, i.e, to fill somewhat the enormous deficit of German production by unpaid imports to Germany. But since next to nothing has been done to remove the cause of anaemia itself this blood transfusion has been a sheer waste, rightly annoying the American and British taxpayer who does not see the end of it and also the German who is receiving alms instead of being allowed to help himself by using to the full the productive capacity of his native country. To remove the cause of anaemia is to make Germany again a going concern, and if not Germany as a whole then at least that part of her over which the Western Allies have control and for which they bear the responsibility. After Germany has been allowed to get into this vicious circle of underproduction and diminished productive capacity and now to become completely exhausted, recovery without the largest possible help from outside seems impossible, and the longer we wait and try to get around this conclusion the higher the cost of recovery will mount. But instead of the present giving of alms which are too much for the Allied taxpayer and too little for the starving German, the help should now be put on a sound commercial basis. It should take the form of credits and investments which are being given with the view of making Germany a going concern instead of alms grudgingly given and peevishly received. In order to achieve this, the help must first be ample like any blood transfusion which is to restore the patient's health while an amount just sufficient to prolong the agony is a sheer waste. The other condition is that the help will be given as part of a comprehensive, intelligent, and energetic policy of economic reform. Under these conditions, investments in Western Germany will be as sound and profitable as any that can be made in this present anarchic world where a well administered, prosperous and industrious Germany opposed to revolutionary experiments and respecting elementary rights and liberties might become a welcome oasis.

Montreal Bonds Offered By First Boston Corp.

Marking the largest placement of Canadian securities ever made in the United States market except Dominion financing, a nationwide group of 102 investment houses headed by The First Boston Corp. on Feb. 25 offered to the public a new issue of $77,811,000 of The City of Montreal serial refunding debentures maturing 1947 to 1967, inclusive. The debentures, payable in United States currency, were priced at 100 for the nearer maturities to 99 for the distant maturities, plus in each case accrued interest. At these prices the yields range from 1.25% to 3.065%.

The offering, being made concurrently with the sale in Canada of $31,948,000 of new debentures payable in Canadian funds, is the third and last step in the refunding of all debentures issued under the 1944 financial reorganization, the two previous refunding issues having been sold in Canada in September, 1946 and January, 1947.

Proceeds from the sale of new debenture issue in the United States and the debenture issue in Canada together with additional necessary funds to be supplied by the city will be applied to the redemption on May 1, 1947, of $78,036,213 (U. S. currency) and $26,805,000 (Canadian currency) debentures dated May 1, 1944; the total redemption price, plus accrued interest, being $84,573,250 and $27,399,710 respectively.

It is estimated that through the sale of these new refunding issues Montreal will effect a net saving of over $22,800,000 over the life of the new bonds as against the total amount which would have been payable in principal the two previous refunding issues and interest on the bonds to be refunded. The total principal and interest charges as of Feb. 15, 1947, giving effect to the completion of the refunding operations on the city's debt to 1977, will be $290,443,116 compared with $339,896,354 as the debt existed on April 30, 1946, a reduction in debt service of approximately $50,000,000.

The new debentures are redeemable at the option of the city at principal amount and accrued interest plus a premium of ⅛% for each year remaining between the date of redemption and the maturity date but not exceeding 2% in any case.

F. S. Smithers Co. to Admit W. W. Cooper

F. S. Smithers & Co., 115 Broadway, New York city, members of the New York Stock Exchange, will admit Walter W. Cooper to partnership in the firm as of March 17th. Mr. Cooper was formerly with Lazard Freres & Co.

Put & Call Brokers Renominate Harnden

S. D. Harnden has been nominated for his sixth consecutive term as President of the Put & Call Brokers and Dealers Association, Inc.

Henry Fullerton Dead

Henry Suydam Fullerton, former member of the New York stock brokerage firm of Thomas L. Manson & Co., died at his home at the age of 77 after a long illness.

Now Shepard & Co.

The firm name of Shepard, Scott & Co., 44 Wall Street, New York City, has been changed to Shepard & Co. Partners are Theodore E. Shepard and Edna Moser.

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The New Indonesian Republic

(Continued from page 1123)

islands, British occupation forces were assigned the unwelcome task of fighting the native rebellion. Since the British could not, or did not want to, wholeheartedly stamp out the powerful insurrection, an uneasy truce was declared, while the Dutch carried on negotiations with unwilling subjects. These negotiations have not come to fruition, and under their terms equal civil rights are granted to Indonesian and Dutch in a newly-created state, in which Indonesians will cooperate with their former masters.

The delegates of the Netherlands and Indonesia initiated a draft plan for recognition of the *de facto* authority of the Indonesian Republic over the islands of Java, Sumatra and Madura, while it further agreed to set up within two years the United States of Indonesia, embracing the Republic and two other autonomous States, finally linking this federation to the Netherlands under a co-equal Netherlands - Indonesian Union recognizing the Netherlands Royal House. The party heading this union would be the Queen instead of the Crown, thus eliminating the Netherlands parliament and cabinet ministers as well.

A further study of the compromise shows that the Netherlanders will retain sovereignty over those islands not included in the Indonesian Republic, although the cream of the Indies crop—the rich islands of Java and Sumatra—will be lost to them forever. It further assures the Indonesian Republic international recognition as a free nation, allows Indonesias to choose their own officers, who will govern all internal policies, and will guarantee that foreign business interests will not be taxed more heavily than Indonesian industries, something that will greatly affect American and British industries. (American investments in Indonesia have been estimated to run well over one hundred million dollars.) In fine the Indonesian Commonwealth will be a free association of self-governing parts, tied to the Queen by rather flimsy threads. Its relationship will be not unlike that now existing between Great Britain and Canada, or between Britain and Australia.

Indonesians Will Gain Economic Power

The compromise worked out with the Indonesians will give the Indonesians more economic and political power. Indonesia's natural resources will be closely guarded and will cost more, as the profits will remain in the islands. Indonesians have been determined, from the very beginning of the ferment, that the old order, by which they were employed at starvation wages — in most cases at less than $50 per annum — while the profits were drained off into the pockets of absentee shareholders, should be a thing of the past. Since Indonesia will need much capital, having suffered a great deal from the ravages of the war, and since the products she produces have to compete in world markets with those of other producing areas, Indonesians have to strike a reasonable balance and watch their step as they progress.

It would seem to this writer, who has spent considerable time in the Indies, that with Indonesians now in control of many Java and Sumatra producing areas, the development of these islands will be greatly impeded from now on, due to lack of physical security. It would further seem necessary that many of the industries be closely supervised by the efficient, thoroughly experienced Dutch overseers. It would appear unlikely that Indonesians, no matter how capable, would be able to take complete charge at this time. Always considered a prime investment and sound security risk while under Dutch rule, it becomes a matter of extreme speculation whether American bankers and investors will be as quick to invest their funds in East Indies enterprises exclusively under Indonesian management. That such a condition may continue to prevail is fairly certain—at least until such a time that confidence in the new order of things has been restored.

It is also more than likely that costs on various commodities (other than those on rubber and quinine) will rise, due to increased labor costs and the fact that Indonesians, in order to raise their people's deplorable, low standard of living, surely will impose new taxes.

Distrust and Friction Imminent

An inescapable conclusion is that there will be a great deal of tension and mutual distrust, aggravated, of course, by the extremely unhealthy situation that there are close to 10,000 Netherlanders still interned and many more armed Japanese infesting the islands, while there are millions of Sundanese living in Central Java who refuse to place themselves wholeheartedly under President Soekarno's banner. Additional friction may result from the fact that the Dutch, realizing that they have lost Indonesia and that the old order of white man's rule is dead, may not find it to their liking to be placed on a par with Indonesians, to be obliged to accept Indonesians as their equals, and to have to take orders from their former wards. Take for instance labor matters, which have to be entrusted to Indonesian managers. All this will be the cause for much misunderstanding and friction, and if an explosion occurs the Dutch, fully cognizant of the fact that they have lost face, may also lose their temper and get hurt.

Netherlands' Opinion Is Split

In the Netherlands, opinion on the compromise matter is widely split at this writing. The conservative die-hards, and the army and navy especially, do not like the agreement entered into at Cheribon, and cannot become reconciled to the idea that the old imperial order is dead. That all was not well in Netherland circles, whose merchant princes have made fortunes out of the riches of the fabulous Indies for centuries, was evidenced by the alarm at the initial ratification of the pact. They rightfully fear that the net result will be a lowering of the Hollanders' standard of living, basing their reasoning on the fact that a large segment of Holland's population (estimated at from 15-25%) derived its income from Indonesia. That income or yield will be a great deal less in the future due to increased cost of production, to lack of control formerly exercised by capable, methodical Dutch managers, to the fact that profits will remain for a great portion in the Indies, and to the uncertainties of world markets. Many commodities, formerly controlled or monopolized by the Dutch, now face stiff world competition, and no longer will Dutch and British monopolists successfully combine to "squeeze" American buyers. America's powerful synthetic rubber and quinine industries have become decided factors to be reckoned with.

Destruction of Holland's Capital

What is even worse, the staggering blow dealt by the war to the Netherlands has been the cause of the destruction of one-third of Holland's capital wealth, although it is true that Holland owns at this juncture a great deal more wealth per capita than do most countries. She has vast sums invested in the United States, reliably estimated at more than one-and-three quarter billion dollars, second in size to her investment in the Indies, with which latter the Japanese onslaught has wrought great havoc.

Holland's recovery from the ravages of war is slow and painful. Still, with the Hollanders' natural business acumen and organizing talent, they surely will emerge from all this successfully, and get out of the economic and financial doldrums through frugal living and stringent monetary purification, in a few years. Their credit is still high and their currency equally sound. They will come out on top even though no longer as the same first rate nation.

The Indonesians on the other hand, who had nothing to lose and so much more to gain, will emerge from all this a winner, setting an example for other colonial people. The days of the TUAN BESAR (big white master) for them are at an end. And while the future as yet is veiled the compromise arrived at is a step in the right direction, and is more in line with the principles laid down in the Atlantic Charter.

It is generally conceded that the compromise is the best that could be obtained at this time. Should it fail (something secretly hoped for by the extremely-conservative Dutch elements, who have all along advocated the old fashioned strong-arm tactics in curbing the rebellious Indonesians) the situation in Indonesia will be more explosive than ever. That is why it has been generally conceded that ratification was the best way out of the dilemma, no matter how bitter the pill for Dutch die-hards to swallow.

India to Continue Exchange Controls

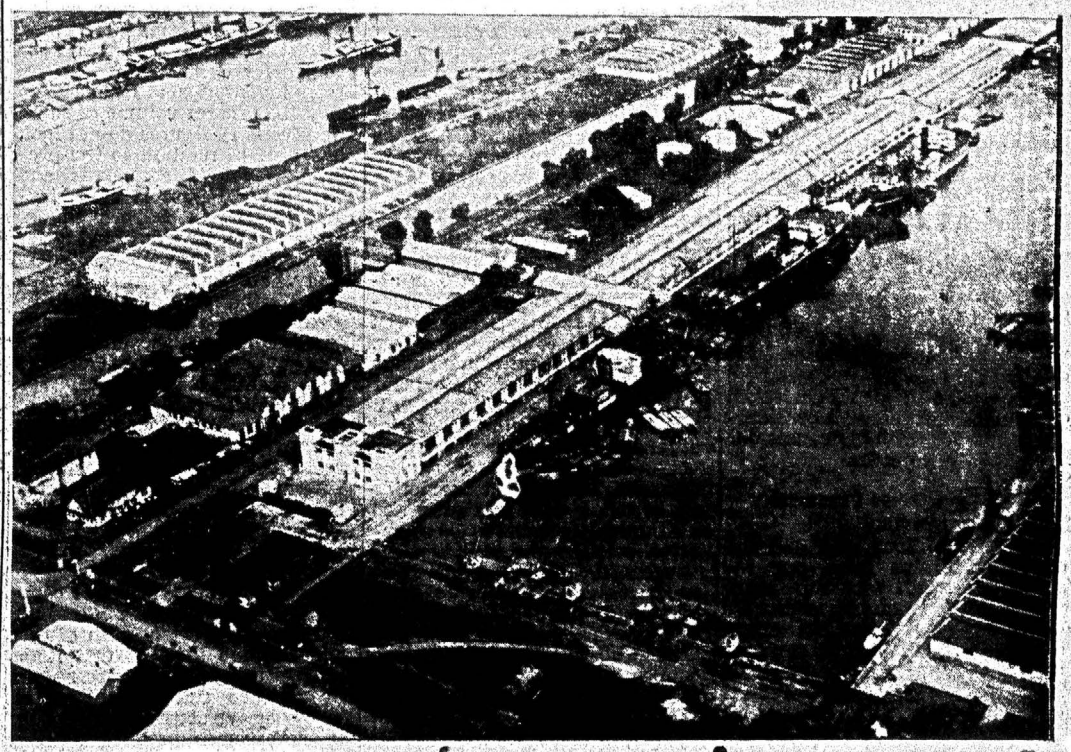
India is among the countries which will avail themselves of the transition provisions of the Articles of Agreement of the World Fund, according to reports from New Delhi. (The transitional period provisions allow the member concerned to continue to employ exchange controls for current international transactions.)

Newburger & Hano Adds

Nathaniel C. Beeber has become associated with the New York Stock Exchange firm of Newburger & Hano, 61 Broadway, New York City, the company announced.

Lawrence With R. L. Day

R. L. Day & Co., members of the New York Stock Exchange, announce that Lloyd H. Lawrence has become associated with them in their New York office, 14 Wall Street.



View on new basins at Tandjong Priok—port of Batavia, DEI

These shares do not represent new financing by the Company

This announcement is neither an offer to sell, nor a solicitation of offers to buy, any of these shares. The offering is made only by the Prospectus.

127,000 Shares

NATIONAL ALUMINATE CORPORATION

Common Stock

($2.50 Par Value)

Price $24 per share

The Prospectus may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

Lee Higginson Corporation **The First Boston Corporation**

February 27, 1947

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Business Prospects in 1947

(Continued from page 1119)

Our gross national product reached the colossal total of $194 billions, only a little less than in the peak year, 1945, and considerably more than twice the total for 1939. While government spending dropped about $45 billions, this decline was offset by rapid expansion in private spending. Consumers' expenditures rose to the record total of $127 billions, or more than double the amount in 1939. About two-thirds of our national income went to employees, about 9% represented net income of farm proprietors, and about 7% was corporate profits after taxes. The year closed with wholesale prices 30% higher and consumer prices about 20% higher. This great postwar replacement boom swept the entire economy to new high levels of peacetime prosperity. The problem before us is the probable duration of this boom.

Perhaps the best way to appraise the current business outlook is to sketch briefly some of the significant favorable and unfavorable factors. We can then undertake an over-all judgment of their importance in shaping the course of business. It is well to remember that the very momentum of the 1946 expansion will carry us forward for several months and probably cushion the inevitable readjustments that are needed to maintain economic equilibrium. Barring some great shock to public confidence, changes in the vast aggregates of economic activity do not come with lightning rapidity. Within very short time periods, the changes are generally small in relative magnitude. It is persistent economic erosion over a considerable period that finally causes our most serious troubles.

We Have Great Financial Strength

Despite the long war and the enormous drains upon our resources, we still face the future with great financial strength. We do not suffer from any credit stringency. Interest rates are low; and there appears to be little likelihood of any really radical changes for a considerable period. The stock market panic at the end of last summer curbed the speculative fever; and recently, the Federal Reserve Board eased margin requirements because it believed that the possibility of serious inflation had passed. In Federal finances, there is a determination to cut expenditures and balance the budget. It is hoped that these efforts will make possible a substantial reduction of personal income taxes; and the majority party is pledged to some reduction. While individual cash and credit reserves were somewhat depleted by the riotous spending in 1946, very large reserves of unused purchasing power still remain untapped. In short, there is now no reason to be fearful of severe credit strains and high interest rates such as preceded the 1920 collapse.

Durable Goods Industries

High rates of activity in the durable goods industries in 1947 promise to be a powerful sustaining factor for business. Last year the automobile industry planned to produce 6,000,000 cars and trucks, but it only turned out about 3,000,000 units. It now believes that in 1947 it can market at satisfactory prices all the cars and trucks that it can produce. There is still a great shortage of residential housing. Although the statistics are not too dependable, we completed little more than one-half of the dwellings we planned to build in 1946. For several years ahead, there is likely to be a great unsatisfied demand for moderate-priced housing. During most of 1946, commercial building was restrained by governmental controls, but substantial expansion of commercial facilities will get under way when conditions are right. In addition, there is still a large amount of deferred maintenance that cannot be delayed much longer. The markets for many other types of durable goods is promising. Clearly, these industries will contribute much to maintain business activity in 1947.

During 1946, many bitter labor controversies restrained production severely. There is hope of widespread improvement in management-labor relations in 1947. Probably there will be fewer interruptions to production. Public opinion has been thoroughly aroused by the unbridled use of arbitrary power by certain labor leaders. Amendments to existing labor legislation to restore a better balance between the rights of labor and the rights of management are now being carefully considered and may possibly be enacted in 1947. Both management and labor seem to want collective bargaining without governmental intervention; and they jointly oppose compulsory arbitration because there is fear that final judgments may be made by political appointees. The portal-to-portal wage controversy seems to be nearing a sensible solution.

Diminishing Wage-Price Spiral

The danger of a vicious spiral of rising wages and prices appears to be diminishing. The alleged economic support for wholesale wage increases has been demonstrated to be fallacious. Some progress is now being made in the reduction of unit labor costs. Further reductions will come when existing material bottlenecks are corrected and production flows more smoothly. The enormous social and economic cost of labor strife has grown to be a burden too onerous to be supported even by the world's richest economy. Public opinion is no longer indulgent and complacent; it demands affirmative action to curb the abuse of power. The democratic way of life requires team work to maintain, promote and secure reasonable economic stability.

It is said that domestic business in 1947 will continue to enjoy a flourishing export trade. The best available current figures show that in 1946 we exported about $12.3 billions of merchandise and $3.0 billions of services. Offsetting these exports were imports of $5.1 billions of merchandise and $2.0 billions of services. The net visible and invisible trade balance was $8.2 billions. "Foreign demand for United States goods," says the Economic Report of the President, "will continue to be high during 1947, even though some countries may be reluctant to purchase at our current high prices. Sufficient resources will be available to foreign countries to finance urgently needed purchases from us." It is confidently believed that a thriving export trade "would be a factor cushioning the effects of any dip in domestic production and employment."

1947 "Depression" Best Advertised

The late General Ayres once remarked that if we should have a business depression in 1947, it will be the best advertised depression in our business history, and this remark has been widely quoted. Over the past few months, our newspapers and trade press have carried many warnings of a possible repetition of the 1920-21 collapse. While some have deplored these discussions because they feared that such talk might precipitate a depression, there can be little doubt that the warnings have served a salutary purpose. They have curbed some unwise expansion and unsound business practices. They have contributed substantially to improvement in the business outlook.

While these various favorable business factors, and others that have not been sketched, furnish strong support for a continued high level of business activity, there are a number of unfavorable factors that deserve careful consideration. They center around the rise in inventories, the distortions in relative prices, the disparities in the real wages of large segments of the population and the uncertain export outlook.

During 1946 inventories of manufacturers, wholesalers and retailers rose rapidly. Except for a decline in finished goods held by the non-durable goods industries, the Department of Commerce index of manufacturers' inventories in November shows no reversal of the upward trend. In November, the total index was about 50% higher than in November, 1945. At the end of December, department store inventories were about 68% higher than on the corresponding date a year ago. Of course, a substantial part of the increase in both manufacturers' and distributors' inventories is accounted for by the rise in prices. Large inventories are needed to carry the present volume of sales. The inventory figures do not look disturbing in relation to the prevailing level of shipments and sales. Several months ago, however, the U. S. Department of Commerce remarked: "Buying for inventories cannot go on indefinitely. At some time in the future . . . the pipe lines will be filled and inventories will be sufficient or more than sufficient to support the current high volume of shipments. At such time, buying for inventories will be cut at least to a replacement basis. The problem will then be what will absorb the added output shifted to consumption channels when inventory accumulation stops or is reversed."

Inventories

There is almost universal complaint that inventories of all kinds are unbalanced—too much of this item and too little of that item. Much of the goods in process or in the finished state is not prime quality or even customary quality. In the rush to produce for the yawning market of 1946, heavy investment has been made in products that will only sell well when demand is abnormally high and more or less reckless. Inventories of such a character carry considerable risk. Moreover, the prices at which a substantial part of these goods currently sell are extremely vulnerable.

Probably the most significent judgment that we can make from the inventory figures is that the period of inventory building is drawing to a close and that business in 1947 will lack the support of an enormous inventory replacement demand. The era of order taking is passing; and soon there will be urgent need to rediscover the more or less lost art of selling.

Distortions of Price Relationships

Perhaps the most important reason for the belief that some economic readjustment is likely to occur in 1947 is found in the current distortions in relative prices. By relative prices, we mean the number of white shirts of a given quality that a ton of pig iron will buy now as compared with prewar years; or the price of a hair cut in pounds of butter, or the price of a cotton sheet in terms of movie tickets. In 1940, a pound of butter bought about 16 pounds of finished steel; and today it buys about 26 pounds. In 1940, a ton of pig iron bought about nine standard white shirts, today it buys a little more than 7 shirts. Great wars always distort the relationship between and among commodities; and the replacement booms generally accentuate them. We are in this situation today.

The prices of raw materials are now too high in relation to semi-manufactured and manufactured goods. In particular, the agricultural and food products prices are still seriously out of line with the prices of other commodities. Some groups of manufactured products are too low and others are too high in relation to the average of all prices. Whatever may be said for the parity principle, it seems obvious that artificial supports provide no long run solution for the agricultural problem. Sooner or later, a really healthy and vigorous agriculture must find ways to sustain itself without price support. That is a highly complex problem which will require the best thought and effort of competent agricultural leaders.

Apparently, we cannot avoid periods in which price distortions are corrected. We need these corrections to reestablish a price equilibruim in which there is a large measure of business confidence, a price equilibrium that once again will permit and stimulate safe forward planning. Prices must command the confidence of the people who hold the purse strings, whether they be the housewife at the village grocery store or the officers of great manufacturing corporations. Some corrections of the distorted price relationships are now under way, and the process of readjustment will continue until proper relative levels are reached, and then the stage will be set for a long period of slowly declining prices based on improved techniques, new processes and other methods of lowering costs. The great money flood that the war brought will not soon pass away. Much of it will long remain buried in the price structure. The process of price readjustment after great wars is rarely completed without some business disturbance.

Maladjustments in Private Incomes

The distortions in relative prices have been accompanied by widespread distortions in the money incomes of important segments of the population. Since 1940, the consumer price index of the U. S. Bureau of Labor Statistics has advanced a little more than 50%. While some working groups have had commensurate increases in money incomes, other groups have not. The fixed income groups are suffering severely. Obviously, many industries cannot afford to meet the demands thrust upon them. Pyramided costs and higher prices invite economic disaster. There has never been a time when there was greater need for lower costs and wise business statesmanship in price making.

"It is estimated," says a well-known financial journal, "that almost one-half of the families in the country have an income less than $2,000 yearly. That's about $38 per week. No higher mathematics is required to understand the 'resistance' of these people to present prices." It asks very appropriately: "Just how many $1,367 Fords and $270 washing machines 'can' the average American buy — after he has bought clothes for his family at prices about 70% above the 1939 prices and paid grocery bills more than double those of prewar days?" And it might also have said something about the current tax burdens. Perhaps these comments overstate the true situation in some degree, but they raise issues of paramount importance. We have met the great trials of the war with "blood, sweat and tears"; but there is still need for broad realization that "sweat," or hard work, in peace years, is the only hope of reasonable economic stability.

A Coming Buyers' Market

The price and income distortions are slowly but surely bringing the change from a sellers' to a buyers' market. Only scattered evidences of the change have thus far appeared, but the critical period does not seem to be far away. Many prices are still advancing, and others are contemplated. Daily large groups of buyers are being priced out of the market for homes, textiles and a wide variety of other goods. Much of our business gain in 1946 came only from rising prices and not from great gains in physical quantities of goods sold. In retrospect, we will doubtless find that many new high records of 1946 were somewhat pyrrhic achievements.

While we enjoyed a great export trade in 1946, it was in large part a subsidized business. Of the $8.2 billions net trade balance, about $3.2 billions represented lend-lease and gifts, about $3.5 billions was financed by borrowed funds, and the remainder was paid for out of gold and dollar balances. While the needs of many foreign nations remain great, there is no assurance now that they can be or will be financed on a grand scale by gifts and borrowing. Lower prices are needed to stimulate this trade.

We have now outlined some of the outstanding favorable and unfavorable factors that will dominate the business situation in 1947. Perhaps the best broad judgment favorable factors that will dominate the business situation in 1947. Perhaps the best broad judgement that we can now make is that some moderate downward readjustment will occur. To hold this readjustment within proper bounds will require a great cooperative effort. With such an effort, no real depression need occur; and readjustment may be confined within reasonable limits. The major impact is likely to come in the last half of the year and to continue into 1948. The forecasting of basic business trends, however, is not an exact science; and the good forecaster must lean heavily on historical precedent and appraisal of the psychology of the people who hold the purse strings. On such a basis, it seems fairly clear that the great expansion of 1946 will wane moderately until the needed economic readjustments are completed.

Leonard J. Fertig Now Assoc. NY Curb Member

FORT WAYNE, IND.—Leonard J. Fertig, general partner in Leonard J. Fertig & Co., Berry and Court Street, has been elected to associate membership in the New York Curb Exchange. Mr. Fertig was sponsored by John L. Julian, general partner in Merrill Lynch, Pierce, Fenner & Beane, and James A. Kiernan, general partner in Thomson & McKinnon.

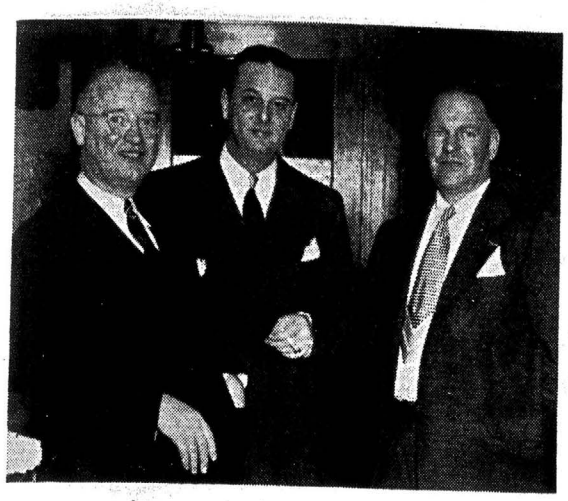
Leonard J. Fertig

Mr. Fertig is also a member of the Chicago Stock Exchange.

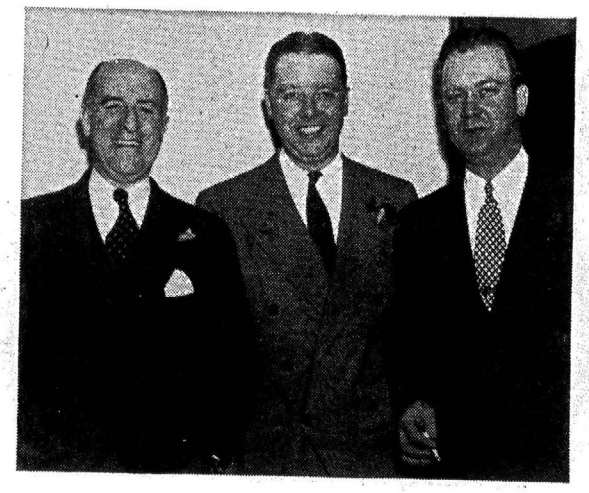
Equitable Securities Elect Officers

Equitable Securities Corporation announces that H. Grady Black and Thomas W. Goodloe of the Nashville Office, 322 Union Street, have been elected vice-presidents, and Ira B. MacCulley of the New York office, 2 Wall Street, has been elected an assistant vice-president.

Investment Traders Association of Philadelphia

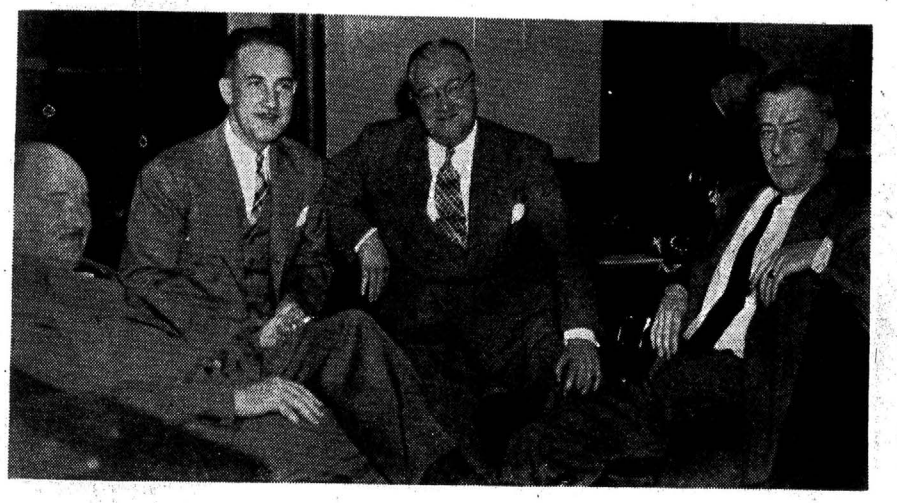


John French, *A. C. Allyn & Co.*, New York; Bill Ingersoll, *Stroud & Co., Inc.*, Philadelphia; Herb Blizzard, *Hess. Blizzard & Co.*, Philadelphia.



Tom Mullins, *White, Weld & Co.*, New York; Charles Zingraff, *Laurence M. Marks & Co.*, New York; John Albin, *The Ohio Company*, Columbus.

Samuel A. Crozer, *Stroud & Co.*, Philadelphia; E. C. Page, guest.



John R. Hunt, *Stroud & Co.*, Philadelphia; Hal Murphy, *Financial Chronicle;* Harold Smith, *Collin, Norton & Co.*, New York; Sumner Wolley, *Coffin & Burr, Inc.*, Boston.

Jack Weller, *Buckley Bros.*, Philadelphia; Tom Love, *Geo. E. Snyder & Co.*, Philadelphia; Geo. Muller, *Janney & Co.*, Philadelphia; Tom O'Rourke, *Stroud & Co., Inc.*, Philadelphia.

Samuel K. Phillips, *Samuel K. Phillips & Co.*, Robert Campbell, *Stroud & Co.*, Pere Wilmer, *Stroud & Co., Inc.*, all of Philadelphia.

Walter Schmidt, *Schmidt, Poole & Co.;* George Compton, Jack Stewart, and Connie Miller, *E. W. & R. C. Miller & Co.*, all of Philadelphia.

Wallace Runyan, *Graham, Parsons & Co.*, Philadelphia; Coit Williamson, *Schmidt, Poole & Co.*, Philadelphia; Norman Stitzenstatter, *Graham, Parsons & Co.*, New York; Ned Phillips, *Samuel K. Phillips & Co.*, Philadelphia.

Paul I. Moreland, *Moreland & Co.*, Detroit; Franklin Loveland, *Field, Richards & Co.*, Cincinnati; Jim Duffy, *Paine, Webber, Jackson & Curtis*, Boston; Wm. B. Healy, *Comstock & Co.*, Chicago.

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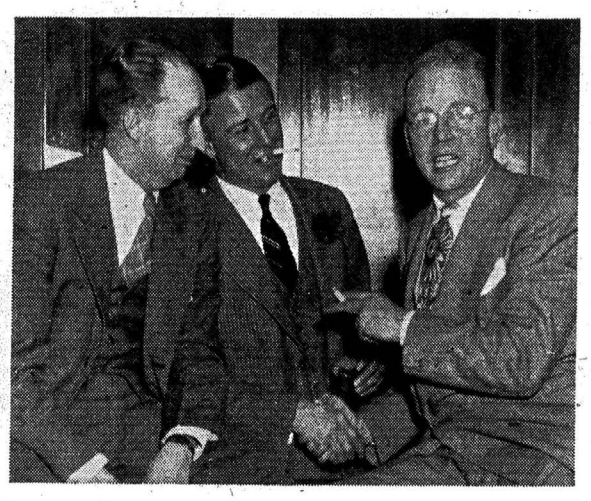
Twenty-third Mid-Winter Dinner February 21st

Leighton McIlvaine, *Charles Clark & Co.*, E. M. Fitch, *E. M. Fitch & Co.*, Mike Altemus, *Fidelity-Philadelphia Trust Company*, all of Philadelphia.



Frank Laird, *Stroud & Co.*, Philadelphia; Bill Kumm, *Dunne & Co.*, New York; Don Sherwood, *Comstock & Co.*, Chicago.

Walter Fixter, *Buckley Bros.*, Philadelphia; W. G. Crowell, *Girard Trust Co.*, Philadelphia; Taber Chadwick, *Carter & Chadwick*, New York City.

Herbert Smith, *Philadelphia National Bank;* Wistar MacLaren, *Philadelphia National Bank;* George C. Thayer, *Merrill Lynch, Pierce, Fenner & Beane;* Allan Foard, *Stroud & Co., Inc.*, all of Philadelphia.

Henry Richter, *Scherck, Richter Co.*, St. Louis; Vic Mosley, *Stroud & Co.*, Philadelphia; Harry Arnold, *Paine, Webber, Jackson & Curtis*, New York; Russ Ergood, *Stroud & Co.*, Philadelphia; Fred Barton, *Eastman, Dillon & Co.*, New York City.

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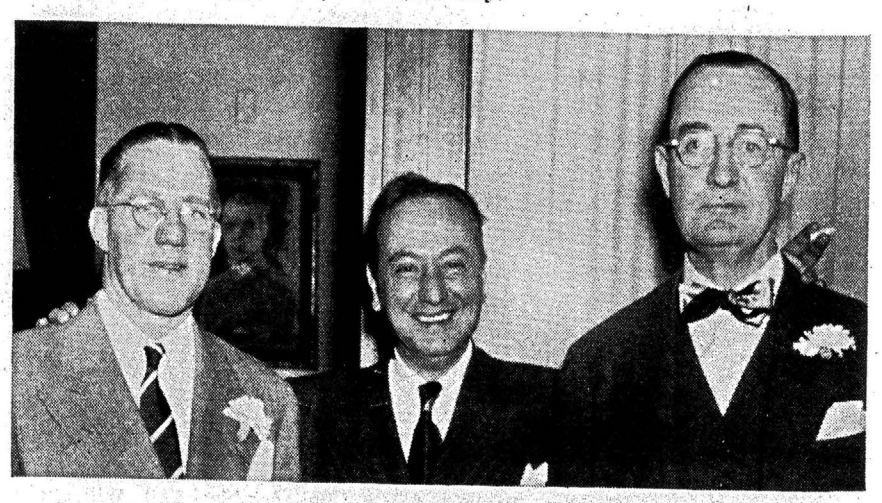
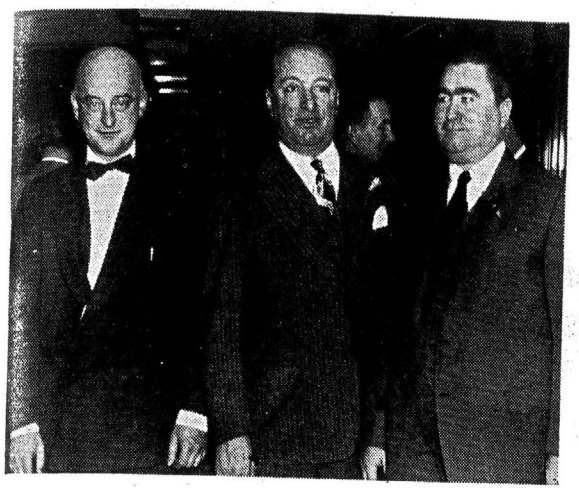
Ernest Brown, *M. M. Freeman & Co.*, Philadelphia; Charles Collom, *Collom & Co.*, Philadelphia; F. T. Seving, *Butcher & Sherrerd*, Philadelphia; Frederick C. Rummel, *Burr & Co.*, New York City; Vic Mosley, *Stroud & Co., Inc.*, Philadelphia; Jim Cleaver, *Goodbody & Co.*, New York City.

Jim Morrissey, *Hecker & Co.*, Ed. Caughlin, *Edward J. Caughlin & Co.*, Ray Allen, *Hecker & Co.*, all of Philadelphia.



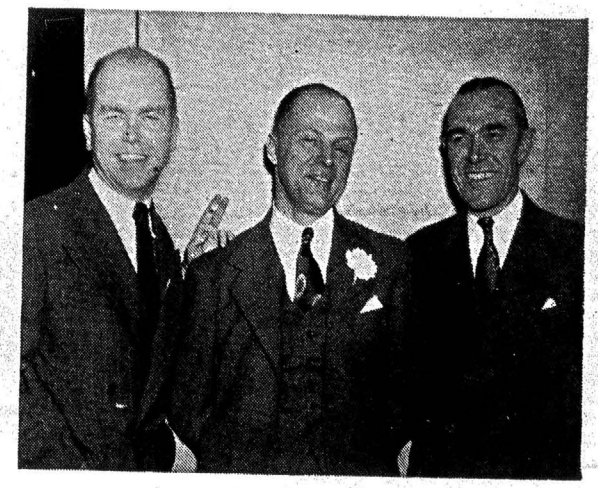
John Murphy, *Reynolds & Co.*, Philadelphia; Joseph Janareli, *Joseph Janareli & Co.*, New York; Wister Randolph, *Stroud & Co., Inc.*, Philadelphia.

Record Attendance of Members and Out-of-Town Guests



Jeff Horsfield, *Wm. J. Mericka & Co.*, Frank Pavis, *Chas. E. Quincey & Co.*, Mike Heaney, *Jos. McManus Co.*, all of New York City.

Duke Hunter, *Hunter & Co.*, New York City; Mrs. Ed. Parsons, Cleveland, Ohio; Jim Cleaver, *Goodbody & Co.*, New York City.



C. Bradly, *E. W. Clark & Co.*, Richard W. Heward, *Hallowell, Sulzberger & Co.*, Bob Torrens, *Harriman Ripley & Co.*, all of Philadelphia.

Geo. Collins, *Geyer & Co.*, New York; Eddie Russell, *Seligman, Lubetkin & Co.*, New York City; Frank J. Fogarty, Philadelphia; Harold N. Nash, *H. N. Nash & Co.*, Philadelphia; Geo. Statler, *Girard Trust Co.*, Philadelphia; E. R. Compton, *Camden Trust Co.*, Camden, N. J.; William Bastian, *Geyer & Co.*, New York.

George A. Searight, *Aetna Securities Corp.*, New York; John Flynn, *E. W. Clark & Co.*, Philadelphia; Ed. Davis, *Rambo, Close & Kerner*, Philadelphia; Arthur Burian, *Strauss Bros.*, New York; J. Gentry Daggy, *H. M. Byllesby & Co.*, Philadelphia.

Ed Hirsch, *Stroud & Co.*, Philadelphia; A. H. Lund, *S. E. C.*, Philadelphia; Vic Mosley, *Stroud & Co., Inc.*, Philadelphia; Louis Loss, *S. E. C.*, Philadelphia.

John Hiltbrand, *Grimm & Co.*, New York; Irving Stein, *Goulet & Stein*, New York; Harry M. Sheely, *Harry M. Sheely & Co.*, Baltimore; Rad Stoll, *Grimm & Co.*, New York City.

Jack Honig, *Cowen & Co.*, Michael Schneider, *L. F. Rothschild & Co.*, Edward Elkin, *Cowen & Co.*, Ben Grody, *Herzog & Co.*, all New York City.

Bill Frankel, *Shaskan & Co.*, Barney Nieman, *Carl Marks & Co.*, Jerry Aal, *Young, Aal & Golkin*, Sid Siegel, *Siegel & Co.*, all New York City.

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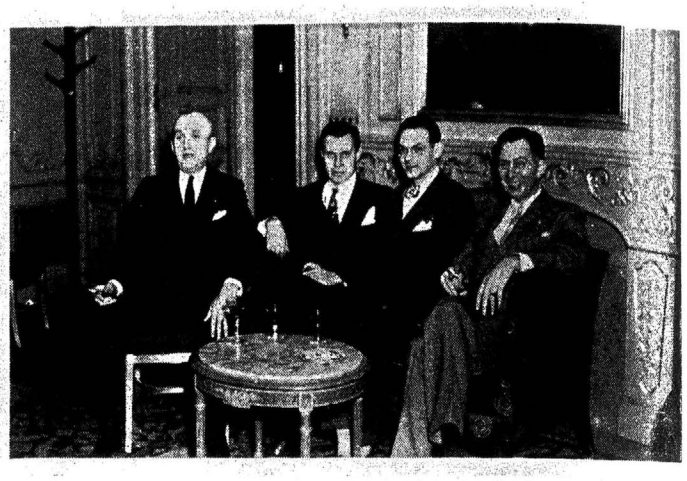
Taken at NSTA Tri-City Meetings

(Back row) James R. Duffy, *Paine, Webber, Jackson & Curtis,* Boston; John M. O'Neill, *Stein Bros. & Boyce,* Baltimore; Edward H. Welch, *Sincere & Co.,* Chicago; Jesse A. Sanders, *Sanders & Newsom,* Dallas; Edward E. Parsons, Jr., *Wm. J. Mericka & Co.,* Cleveland; *(front row)* Paul W. Yarrow, *Clement, Curtis & Co.,* Chicago; R. Victor Mosley, *Stroud & Co.,* Philadelphia; Paul I. Moreland, *Moreland & Co.,* Detroit.

Howard J. Eble, *Wm J. Mericka & Co., Inc.,* Cleveland; Richard A. Gottron, *Gottron, Russell & Co.*



J. L. Quigley, *Quigley & Co., Inc.,* Cleveland; Henry J. Richter, *Scherck, Richter Co.,* St. Louis; Morton A. Cayne, *Cayne, Robbins & Co.,* Cleveland; Corwin L. Liston, *Prescott & Co.,* Cleveland.

Henry Oetjen, *McGinnis, Bampton & Sellger,* New York; R. Victor Mosley, *Stroud & Co., Inc.,* Philadelphia; Carl Stolle, *G. A. Saxton & Co.,* New York; Paul I. Moreland, *Moreland & Co.,* Detroit.

Wm. P. Springer, *Carl Marks & Co., Inc.,* Chicago.

Howard C. Morton, *McMaster Hutchinson & Co.,* Chicago; John M. O'Neill, *Stein Bros. & Boyce,* Baltimore; Charles M. Zingraf, *Laurence M. Marks & Co.,* New York; Ludwell A. Strader, *Scott, Horner & Mason, Inc.,* Lynchburg.

Charles M. Zingraf, *Laurence M. Marks & Co.,* New York; William F. Dowdall, *Wm. F. Dowdall & Co.,* St. Louis.

Edward H. Welch, *Sincere & Co.,* Chicago.

Edward H. Welch, *Sincere & Co.,* Chicago; John F. McLaughlin, *McLaughlin, Reuss & Co.,* New York; Paul W. Yarrow, *Clement, Curtis & Co.,* Chicago.

R. Victor Mosley, *Stroud & Co.,* Philadelphia.

Frank H. Kemp, *R. C. O'Donnell & Co.,* Detroit.

John F. McLaughlin, *McLaughlin, Reuss & Co.*

R. Victor Mosley, *Stroud & Co.,* Philadelphia; Michael J. Heaney, *Joseph McManus & Co.,* New York (at the piano); Howard C. Morton, *McMaster Hutchinson & Co.,* Chicago.

Canada's Critical Exchange Problem

(Continued from first page)

fact that Canadians, having "plenty" of money, overcrowd their own resort facilities. On the other hand, the relaxation in Canadian exchange regulations permits more people from there to visit the neighbor to the south.

More important is the **low level of gold output.** Instead of over $200 millions worth annually, as in 1941, the Canadian gold output is around $110 millions, or below, which means so much less U. S. dollars. The price of gold was reduced last July by 10%, while wages and other costs keep rising, putting many mines into the red. But even low cost mines are short of labor, not being able to compete in the lumber camps. The prospect is for a further dwindling, at any rate not for an increasing gold production.

Then, there are Canada's obligations to the U. S. on interest and dividend payments, plus the repatriation of foreign-held Canadian assets. During the war, they have been offset by the record export surplus to, and import of capital from the U. S. But this flow has subsided since the Canadian revaluation and since the stock market slump, especially in gold shares which have declined more than the market average; in addition, some amount of U. S. capital repatriation is taking place. As it is, the Dominion's international balance possibly is burdened by a net $250 millions or so, to service foreign (mostly U. S.) investments totalling probably $6,500 millions or more in gross volume.

However, the crucial problem is the **balance of trade.** Due to progressive industrialization and expanding living standards, the unfavorable balance against the U. S. has been enhanced vastly: from a monthly average of $38 millions in 1936-38, the deficit in commodity trade with the U. S. rose as high as almost $70 millions in each of October and November last. Now then, the export surplus that used to compensate for this excess of imports from the U. S., presently goes to the Sterling Area and other "soft money" countries, and has to be financed by Canadian credits. Up to Jan. 31, nine borrowing nations have drawn $850 millions out of $1,850 millions authorized by Canada. In other words, Canada is faced by a growing import surplus in the one direction, in which she has to pay "cash," and an export surplus the other way which brings non-convertible promises to pay at some remote and doubtful day.

In April, 1945, Ottawa published a White Paper announcing its economic goal: Full employment, entailing annual exports of $1,750 millions. It scarcely expected to accomplish both aims in the first peace year, and to be heading in the second for a most serious exchange crisis. Full Employment is attained, but accompanied by strikes and severely reduced labor productivity, especially in coal mines and textile mills, with wages and unit costs mounting. The price structure, which was supposed to be kept stable, started soaring accordingly; ceilings are being raised or circumvented, and it is a foregone conclusion that de-control will sweep the economy, with prices to rise 10 to 20%—up to the U. S. level, provided the latter stays put. Higher Canadian prices will correct the artificially low values at which the Dominion sells her wheat, copper, lead and zinc, and may enhance also the dollar return from newsprint exports, but they will weaken Canada's competitive position.

As to exports, their total skyrocketed to an annual rate (currently) of over $2,500 millions, but imports rose more than proportionately, providing a very moderate export surplus only. And even that surplus is purely nominal. Actually, a major part of exports is carried by Canadian subsidies, called loans. Combined with reduced gold production, the situation is bound to deteriorate even if Britain completes (on July 15) the "multilateralization" of her foreign trade, a process which has begun already. In reality, Canada's export surplus to Britain cannot produce dollars, so long as Canada herself provides the dollars which enable Britain to buy from her. (As a matter of fact, by licensing imports Britain keeps them from growing in excess of her exports to, plus credits drawn from, Canada.)

All told, the Dominion's balance of payments is running an annual deficit of half-a-billion dollars or more—a deficit she could not afford much longer than a matter of months—unless measures are taken to correct the picture.

Scarce U. S. Dollars

Shortage of U. S. dollars, with no end in sight, is the evil common to the world at large, from Britain to Chile and from France to China. (It highlights the "wisdom" of the late Lord Keynes, whose last paper argued in favor of the Anglo-American loan agreement by pooh-poohing the danger of a dollar-shortage.) Few countries only are exempt from this ailment; next to Switzerland, Sweden, and Argentina, Canada was to be the outstanding exception. She is not, and it may create quite a shock all around when the trouble breaks into the open.

But break it will, unless one of two things happens: either Britain and the Sterling Area, preferably also western Europe and the Far East, recover their ability to pay for imports without borrowing from Canada; or unless the U. S. steps in with more credits and relief to be used in part for financing the debtors' imports from Canada. However, Britain's position does not show much sign of improvement, to put it mildly, nor do most others. Europe is, in this writer's opinion, at the beginning rather than at the end of the chaos; but that is a chapter for itself. American generosity, on the other hand, is right now closer to a comparative low than to a high mark. As matters stand, it could not be stretched much beyond the $4 billions for "international finance" in Truman's budget (plus perhaps another billion of private capital export), and that is not enough to alter Canada's position.

There are five immediate methods available which may help to relieve or avert her crisis:

1. Canada may put the brakes on exports unless paid in "cash." In practice, this scarcely could become effective, since her credit commitments still amount to almost a billion dollars. Moreover, any restraint in her "lending" would most likely divert buyers or eliminate them, while the Dominion's prosperity depends on exports. Also, she would risk future markets, a consideration that is almost as prominent in Canadian minds as is the emotional attachment to England. For reasons of sentiment as well as of business, present and future, Canada is not likely to forego her sales abroad.

2. Britain and other debtor-customers may be induced to use their credit lines in the U. S. to pay for purchases in Canada. Britain has drawn so far proportionately more on her Canadian credit line than on the U. S. loan, and she might reverse that. Thus, U. S. dollars would be made available to Canadian exporters, which is permissable according to the U. S.-U. K. loan agreement, and the Dominion's reserve would gain a "stay of execution"—for how long? The same question mark applies to shifting on the International Fund and Bank part of the burden of financing Canada's customers.

3. Tightening Canadian foreign exchange restrictions, so as to cut down the public's buying and traveling abroad, is the most logical way out of the dilemma, given the prevailing "logic" of bureaucracies. However, even the British find it extremely difficult to stop the smuggling of money both ways, that has become a regular trade. In Canada's case, with her long border, and in view of the general tendency toward scrapping controls, the difficulties may become insurmountable. Already, "unauthorized" Canadian dollars are selling in the States at a 4 to 5% discount. Furthermore, imports from the U. S. would have to be curtailed sharply, a policy that might boomerang by curtailed exports. Further restrictions on capital exports may be highly detrimental to future foreign investments in Canada.

4. Gold production may be fostered by tax relief. Dollar proceeds from gold exports may be enhanced by sales on the "open" market (Bombay, etc.). But minor favors to the gold industry could not go a long way in restoring the balance on international accounts. Major favors are taboo. It is one thing to pour out subsidies to broad voter groups like prairie farmers cursed with surplus grain, or the French of Quebec blessed with large families; quite another, to make concessions to the small gold mining community suspected by the rest.

5. The simplest "trick" to cure a sick currency is **devaluation.** It helps, provided it is undertaken on a substantial scale (well beyond the previous 10%); and provided that the U. S. does not answer it in kind or by retaliations. Under those conditions Canada's devaluation by, say 25%, would not only stimulate her gold production, presumably far above the previous high, but it would also, **for a while,** improve her trade balance with the U. S. Moreover, devaluation may bring fresh capital into the country, permitting the exchange reserve to be refilled. However, it would call for the consent of the Monetary Fund, which is likely to be reluctant, unless Britain and many other countries devalue their currencies, too, which they dread for several reasons (beyond the scope of this bulletin). Of course, devaluation is a temporary panacea; it can serve to overcome an emergency, but it is useless if the emergency continues.

Postponing the Crisis?

By direct or indirect recourse to the remaining $9 billion international credit commitments and some other resources available in the U. S., Canada's foreign exchange crisis may—or may not—be postponed well into 1948. Before long, however, she will have to fall back on her own devices: restricting the movement of funds and/or lowering the currency unit's gold content. It is difficult to predict the critical turning point, but it is safe to predict that it cannot be avoided altogether, short of the U. S. underwriting in some fashion the deficit in the neighbor's balance of payments. Nor would that mean a final solution of the problem, that has two main components: an internal one, arising from Canadian debt monetization (inflation) combined with an unduly low gold price; and an external. The latter has to do with the progressive deterioration of world economy, including the entire Far East, most of Europe, and much of Latin America. Whether or not this country can "isolate" itself against the pending impact of a world-wide economic collapse, Canada certainly is too deeply entangled to stand it without suffering most serious repercussions. In the longer run, she will have to readjust her entire economic structure.

Frederick Warburg to Head NY Fund Drive

Frederick M. Warburg, partner in Kuhn, Loeb & Co., New York City, has been appointed chairman of the 1947 campaign of the Greater New York Fund. Mr. Warburg succeeds N. Baxter Jackson, president of the Chemical Bank and Trust Company.

Fred. M. Warburg

Vice-chairmen in the campaign will be John D. Rockefeller 3d and and John A. Coleman, Adler, Coleman & Co., New York.

New members elected to the board of directors of the fund were Harold C. Dean, Consolidated Edison Company of New York; John M. Schiff, Kuhn, Loeb & Co.; John S. Sinclair, New York Life Insurance Co.; Charles J. Stewart, New York Trust Co.; and Clinton S. Van Clise, American Telephone and Telegraph Company.

The campaign, which will take place in the spring, is expected to have a goal of about $6,000,000.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by Prospectus.

ADDITIONAL ISSUE

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February 26, 1947

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Nationalization No Help in British Coal Crisis

(Continued from page 1120)

bad to worse. British exports of coal tended to decline, the mines were becoming less and less profitable, and the price of British coal was continuously on the upgrade. Developments tended to become so unsatisfactory that the coal mines were one of the first of the industries singled out for nationalization—and this was long before the period of British "Labor Party" domination. Even Prof. Jevons's son, H. Stanley Jevons, in his study of "The British Coal Trade", published in 1915, advocated nationalization as the only effective remedy.

Progressive Decline

Despite the many Parliamentary Coal Commissions that have sat on the problem from time to time, no satisfactory solution was found and no drastic measures taken to avert an impending coal crisis in Britain until a considerable period after the First World War. At this time the question of nationalization was uppermost, though much was said regarding increasing mining efficiency and improving the technical processes in the mines. Under the chairmanship of the late David Lloyd George, the leader of the then dominant Liberal Party, a series of new inquiries were set in motion. Lloyd George, in order to evade outright nationalization, proposed that the British Government purchase the coal mineral rights held in private ownership and then lease them under favorable terms to the mine operators. In order to diminish labor difficulties and strikes, which were recurring epidemics in the period, he advocated a system of co-operation between labor and capital, whereby, through local boards consisting of representatives of the mine workers and the mine operators working conditions could be determined. Mr. Lloyd George also strongly urged concentration on converting coal for electricity purposes.

Little action was taken along the lines suggested by Britain's great War Premier. The miners' unions had become converted to the principle of nationalization, and the Tory Party that came into power was as strongly opposed to it. In the meantime, despite urging for increased mining efficiency, the mine operators were becoming lax and discouraged, and little new capital found its way into mining properties. The British mining methods were admittedly far below the high standards set up in this country and other large coal producing nations. British coal output and exports continued to decline as indicated in the accompanying table and chart, since under the circumstances, British mine companies could not compete with foreign exporters on favorable terms. So matters went from bad to worse, and little was accomplished by patch-work Parliamentary legislation to improve the situation. Then the war came, and a new crisis developed.

Nationalization of the Mines

Under these circumstances, as was to be expected, among the first measures taken by the Labor Government when it came into power, was to nationalize the mines. But the move resulted in very little change in the situation. The Labor Government, despite its efforts, has not increased substantially the coal output, and no perceptible improvement has been accomplished in technical methods. Moreover, the shortage of miners which was accentuated by the war and not remedied at all under conditions of peace, continues unabated. Undoubtedly, the conditions of the miners in some districts have been improved, but the earnings of the miner are limited by his output, and since the coal output per man has shown no substantial increase for years, the miner's lot is necessarily not a happy one. So under conditions of full employment now existing in England, he prefers other occupations. And all the urging, speech making and appeals to patriotism will not alter the situation.

BRITISH COAL INDUSTRY*

Year	No. of Persons on Colliery Books Thous.	Output (ii) Mill. tons	Exports (iii) Mill. tons	Stocks (iv) Mill. tons
1913	1,107	287	94	----
1919	1,170	230	47	----
1929	932	258	77	----
1938	782	227	46	----
1939	766	231	47	19.7
1945	709	183	8	15.4
1946 (v)	699	185	9	11.0

(*) From 1922 the numbers employed and the output of coal in Ireland are no longer included; and clerks and salaried persons are excluded.
(ii) Includes open-cast production from 1942.
(iii) From 1st April, 1923, coal sent to Eire is included as an export.
(iv) Figures not available before 1939.
(v) Annual average, based on first nine months.

So "The Coal Question" in Britain has become an acute coal crisis! A mineral product on which the wealth of the British nation has depended for centuries is now a matter of international concern. Britain's economic power must be maintained if our own security is to be assured. A tested remedy for the British coal crisis is thus of deep concern to ourselves. We cannot regard it as a local question. Chaos in England may spell depression for America as well as other great trading nations. And it may be a further threat to our economy, despite the dominance of a socialistic government ruling the British Empire. Postwar reconstruction will never be properly accomplished unless Great Britain again is able to carry on. And, more specifically, unless Britain can resume coal exports, she can never fulfill her obligations, financial or otherwise, to the United States and other nations.

What are the remedies? Is there a way out?

To answer these questions requires separately a short-range and a long-range view. The immediate crisis can be and undoubtedly will be remedied. Since the coal shortage is due mainly at the present time to insufficient miners, a temporary remedy could be found, as suggested by Prof. Lionel Robbins and other British economists, in the importation of foreign miners. It is stated an extra 100,000 men in the coal mines would entirely change the situation. But the British Federation of Miners is strongly opposed to this. In fact, British miners for centuries have been a clannish and isolated group. They have had no new blood in their occupation as we in America have had, and the industry is dependent on the sons of miners for recruitment. One generation follows another in the same work—and, hence, the workers, by tradition, become static in their methods, technique and outlook on life.

So the problem may not be easily settled by inviting immigrants into the mines, but certainly efforts in this direction should be made—as has already been done in France. The situation on the European Continent, particularly in Poland and Hungary, where misery and depression prevails, would seem to favor British importation of labor at the present time.

Long Range Viewpoint

Of more importance, however, to the British economy from a long-range point of view, is the improvement of the technical efficiency and organization of the British coal mining industry. This, also, will not be an easy matter to accomplish even under the present nationalization. For years, the British mine operators were condemned because of their lax methods and inefficiency, for their reluctance to increase investment and otherwise improve their properties. It was this argument that led to the clamor for nationalization. And it was realization of the fact that indolence and inefficiency is the curse of the industry, that brought about nationalization with so little complaint or outspoken opposition. But will nationalization solve the prime British coal mining problem? Will it lead to more efficiency, better miner's wages and, what is most important, lower coal prices? The late David Lloyd George, a Welshman keenly interested in his fellow Welsh miners, in 1925 emphatically said "no." In a report of a Committee of Inquiry which he headed, it is plainly stated;

"When we turn to consider nationalization we are confronted by the fact that experience is overwhelmingly against the successful administration of a business enterprise by a bureaucracy. State ownership only becomes a matter for serious consideration when the alternative is a monopoly in private hands. It is sometimes said that State control of industry was a success during the war. State control worked during the war because there was an unlimited market for war products and no limit to the price which would be paid. Such conditions can never exist in the mining industry. It can only thrive if it is efficient. It has to sell a large part of its product in foreign markets in competition with the rest of the world. It has to keep the home price of coal at a level which the staple industries of the country can afford to pay, or its home market will also contract. Inefficiency in the coal mines would be fatal not only to the national industries but to the payment of higher or even the current wages to the miner. Now that under the 1924 agreement the miners obtain 85% or more of the proceeds of mining as compared with capital, leaving capital 15% or less, the only method by which substantially higher wages can be paid is the production of a higher amount of coal per head, through good management, better work, better machinery, or better mines. Few can seriously believe that more efficiency will be displayed in each of the 1,500 units now mining coal if they are managed by a body of bureaucrats instead of by those whose personal livelihood depends upon efficient management.

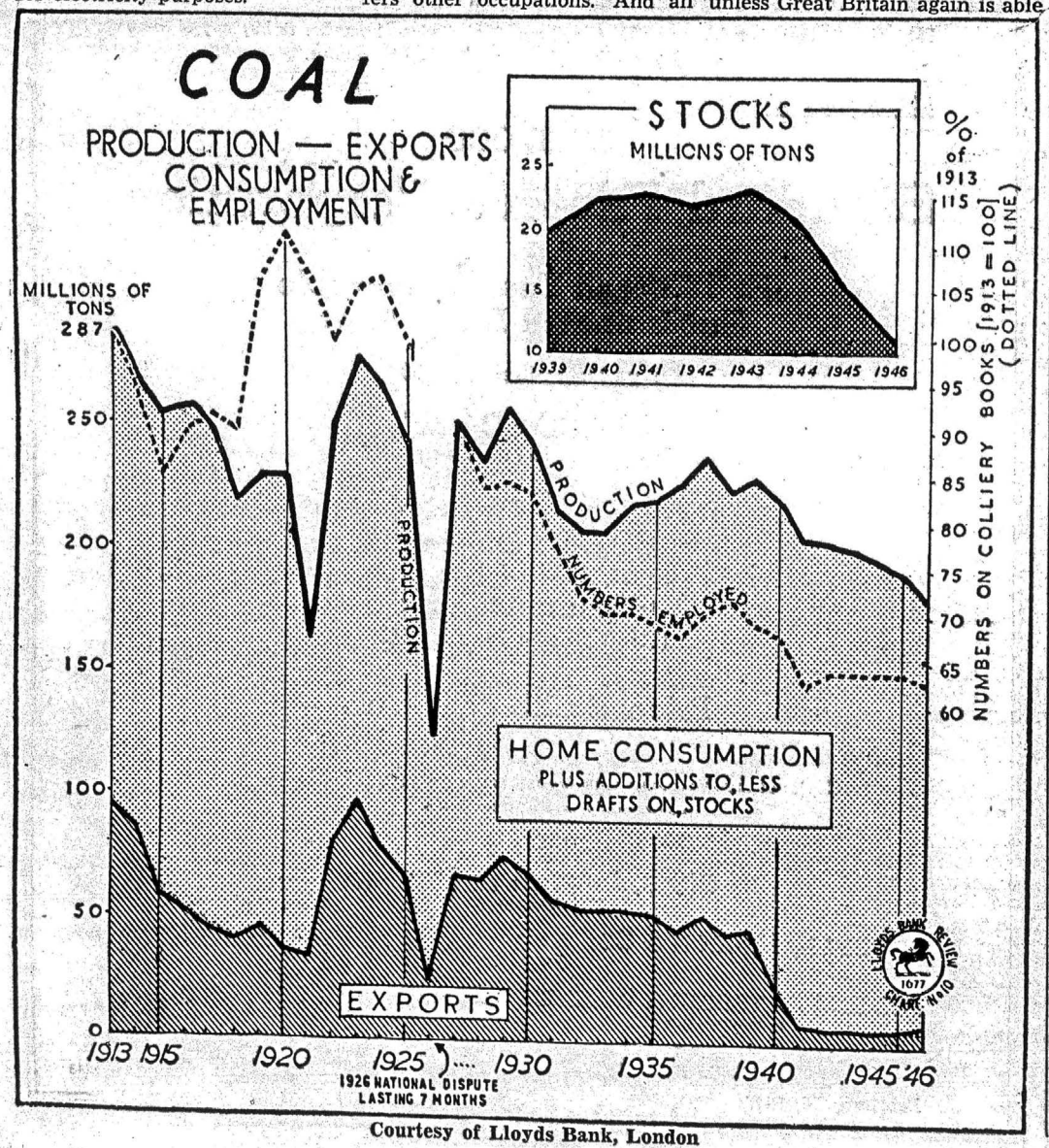
Attlee's Attitude

Of course, Mr. Attlee does not agree with the foregoing forceful and realistic statement of a renowned predecessor.

He is, instead claiming that since nationalization there has been improvement in the per man output of the mines and in time there would be further gains, and then Britain would be in a more prosperous position than ever before. Yet, Mr. Attlee may not be able to accomplish all that he plans. Considering the present financial position of the British Treasury, the already heavy burden of taxation, the severe capital losses during the war, and the exceedingly unfavorable international trade position of his country, one wonders where he is to obtain the capital as well as the technical skill and ingenuity to improve British mining efficiency. One may ask will he follow the Soviet policy and confiscate private property and use forced labor for the purpose? Regardless of his attainments as a statesman, politician, or organizer, Mr. Attlee cannot get blood out of a turnip. He must develop a situation which will attract capital and mechanical skill, both domestic and foreign, in the mining industry, if he expects to solve the problem under a democratic economy.

Whatever the proposed remedies may accomplish, this much is certain: Unless Great Britain succeeds in relieving the present coal shortage and restoring her coal industry to its former status in the British economy, there will be an economic and political collapse. As stated by Prof. Robbins in an article in "Lloyds Bank Review" for January:

"The coal shortage dominates everything. There has been no threat to our economic position comparable to this danger since the worst days of the U-boats. If we surmount it, and if we keep clear heads and strong hearts, we have a fair chance of getting through the other difficulties of the transition. If we do not, we shall assuredly run into a colossal disaster. It is no exaggeration to say that the presence or absence of an extra 100,000 men in the coal mines may make the difference between our continued existence as a great power, with reasonable prospects of economic progress, and a lapse into a position if impotence and economic chaos. This is a matter which cuts right across party politics. I know no reason to suppose that any other government than this would have found the employment of foreign labor a more palatable expedient. The introduction en bloc into one of our basic industries of a large number of foreigners of uncertain habits and uncertain capacity for assimilation is not likely to be generally attractive. It is an expedient which can only be recommended after much reflection and careful examination of the possible alternatives. Nevertheless, I am convinced that it is an expedient which must be adopted if we are to get through; the risks of not adopting it are too great. It is doubtful whether anything can be done to avert the difficulties that may arise this winter. But speedy action might at least avert the even worse dangers which otherwise will confront us later on."



Courtesy of Lloyds Bank, London

Britain Faces Her Difficulties

(Continued from page 1123)

food and raw materials for our manufacturing industries. To show you how heavy these imports were, let me remind you that no less than one-fifth of your 1938 exports, to the value of $530,000,000 were taken by Britain.

We were the chief customers of as many as thirty-one countries. We paid for these imports by exporting coal, woollen goods, textiles, machines, motor cars, manufactured goods of high quality, and so on. We also paid for them by carrying goods of other countries in our ships, by insurance and by drawing upon the dividends of the overseas investments which we had built up in past years.

Overseas Investments Sacrificed

Then came the war. One of the first things we had to do was to sell most of our overseas investments to pay for our war imports. Later, when Lend Lease came into being—which I should like to describe as the most imaginative act in history—it made possible the efficient distribution of effort between my country and yours, and enabled us to effect total mobilization for war production.

When the war stopped we found our peace time basis of living changed beyond all recognition. Our export trade had sunk to a fraction of its pre-war volume—no more than 33%. Five billion dollars worth of our most valuable overseas investments, in other words, our savings, had been spent.

This meant a fall in come from $972 million in 1938 to $400 million in 1945. We had but two-thirds of our pre-war merchant fleet left. Actually one half had been sunk, but we had managed to replace some of it whilst the war was going on. It has been calculated that, during the war, our industrial equipment deteriorated to the tune of three and one-half billion dollars. Four million houses had been damaged or destroyed—a third of the total.

Worse still, a sterling debt alone, amounting to $14 billions had been incurred, in a large part, to peoples whose countries we had protected from Fascist aggression.

That was, on broad lines, the situation of our country in August, 1945. Remember that we are an island about the size of Oregon populated by nearly fifty million people. Remember too, that we grow only 50% of what we eat.

Whoever had held office at the end of the war, whether Mr. Churchill or Mr. Attlee, he would still have had to face these sombre problems. Moreover, he would have had to take account of the political temper of the people. I think that their wishes were not difficult to determine.

First, like yourselves, they wanted to get back to civilian life as quickly as possible.

Secondly, they hoped to see their pre-war standard of living restored, and further—and this is important—they wanted a fairer distribution of incomes, of social services such as education, medical benefits and the like, than that which existed before the war.

Thirdly, above all, they wanted steady work and no more mass unemployment.

Internal Reforms

Now, the Coalition Government of Mr. Churchill had been fully alive to all this during their term of office. Schemes had been drawn up with a view to the meeting of these demands. There was the famous Beveridge Report with its radical proposals for the consolidation and extension of the social services. There was the Barlow Report on the distribution of industry, and there was the Uthwatt Report dealing with the development of urban land.

An Act was passed in 1944 reorganizing and extending the educational system. Finally, a White Paper (a state document outlining policy), was published on the subject of full employment. This document advocated substantial control over the nation's economy, not with a view to stifling enterprise, but to guiding it.

Rightly or wrongly, almost all of us thought that the old *laissez faire* system had been working wastefully and badly, and that it was intolerable to see millions of our fellow citizens plunged into idleness, and the poverty which goes with it, through the caprices of blind forces over which we had no control.

Now the present Government, in taking powers to control and to direct investment, land and factory development, and in placing under public ownership certain basic industries and services, such as coal, utilities and inland transport, have merely been carrying out this agreed policy. It is true that they have gone further towards nationalization or public monopoly, than the Conservatives would have done. But a planned economy had been fore-shadowed in the Full Employment White Paper.

In order to dispel any misconceptions I should like here to stress another point. When an industry or service is nationalized, it is not taken over by a government department and controlled by civil servants. A public corporation is set up on a commercial basis.

It s run by people chosen for their experience and administrative ability. There is no politics in the choice of these people. They are paid salaries comparable with those earned in private industry, and in many cases they are drawn from the industry itself. For instance, Lord Hyndley, who is chairman of the National Coal Board is not, and never has been, a civil servant. He is an industrialist.

And I should like to recall that it took four years to reach maximum production during the war. As we followed the progress in 1940 and 1941, it all seemed very slow, and we often asked ourselves whether the right measures were always being taken. Economically, we are having a race with time today. Unexpected factors have arisen, such as the mounting of prices in this country and the need to feed our part of Germany, which has reduced materially the value of the credit you recently gave us.

Now, the severest winter in fifty years is disrupting transport, is slowing the already inadequate production of the coal mines and causing general discomfort in Britain. Nevertheless I may perhaps claim without complacency that, in these brief 17 months, we have achieved something remarkable, for we have brought our monthly export average to a point some 17% higher in volume than that of 1938. Taking 1938 as the basic year, there has been a rise from 33% in August, 1945, to 117% in October, 1946.

Hope in United Nations

So much for our internal problem. At the same time, in the midst of this tough struggle at home, we are determined to play our full part, so far as our resources will allow, in building peace, and I should like, if you will bear with me, to say something about that.

Like your Government, we are basing our foreign policy on our faith in the success of the United Nations experiment. We have good cause to feel strongly about collective security, for it was the failure to make an effective international system out of the League of Nations that landed us in war with Nazi Germany, the cruellest and most unnecessary war that history has seen, brought about by slackness and negligence, for which we must admit our full share of blame.

Within the terms of the United Nations Charter we are ready and eager to enter into arrangements with other powers which will contribute to the restoring of peace in Europe, and that is why we welcomed wholeheartedly Mr. Byrnes' proposal for a Four Power Treaty. Our chiefest purpose is to ensure that there shall be no rebuilding of the German war machine. On the other hand, even if our land were flowing with milk and honey instead of watery beer, we should not want to go on paying out of our own resources for the upkeep of a German Slum. We are therefore in favor of a controlled rebuilding of German industry so that she can pay her own way, feed her own people and, we hope, become eventually a reasonable element of human society. We lean to socialization of her key industries as a means of getting control of German industry out of the hands of those who dominated it with such tragic results, of those without whose money Herr Shickelgruber would never have become Herr Hitler and made a holocaust of Europe.

It would be improper for me to say anything about the general settlement to be made with Germany at a time when the whole question is about to come up for discussion in Moscow. The whole future of Europe—indeed of the world—hangs upon that settlement. We can but put our faith in our delegates and await the outcome of their labors.

British Commonwealth and Empire

And now I turn to the British Commonwealth and Empire. It is because we are part of this Commonwealth and Empire that we are vitally concerned with conditions not only in Europe, but throughout the world. It is because of my deeply held conviction that the prosperity, and indeed the safety of our two countries, is bound up with the continuing development of this Commonwealth and Empire, that I have been at pains to try to describe its working in the speeches which I have made since I came to the United States. Let me revert to the subject in a few brief sentences.

It consists of three main groups. The Commonwealth itself—that is to say the United Kingdom, which has equal status with the other dominions, Canada, Australia, New Zealand, South Africa and Eire. The total population of these six nations is eighty millions, and most of them are of Anglo-Saxon origin. The second group is made up of India and Burma, and they are about to chose whether or not they will remain in the family. Finally there are the dependencies, mostly but not all Crown Colonies, scattered all over the world with a population of over sixty million. They are in every different stage of political, economic and social development. Some of them, like Ceylon, have attained complete self-government in respect of internal affairs. Others are still in a primitive state, but they are all undergoing the process of gradual education in democracy, with the ultimate purpose of achieving complete autonomy.

This Commonwealth and Empire contains vast natural resources. Many, such as rubber, tin and nickel which you do not have here. Upon these you drew deeply during the war, when you had free access to them under reverse Lend Lease.

Moreover, the industrial capacity of the Commonwealth is constantly expanding. Canada is now the fourth industrial power in the world. Between 1938 and 1943 the steel output increased by 50% in Canada, 50% in India, 65% in Australia and nearly 20% in South Africa. Even before the war, the trade of the Commonwealth and Empire as a whole represented roughly one third of that of the world.

It is, therefore, clearly a major interest of ours that there should be an expanding world market, and we set the highest importance upon the conference of eighteen nations which is to meet in April to promote multilateral trade. If the great increase in industrial capacity which was added during the war to the already formidable industrial systems of the United States and the British Commonwealth, is to be kept in operation to enrich mankind, it is essential that there should be growing markets to take its output.

It is also certain that trade must flow both ways, and a system of exchange of goods must be re-created. All this may be somewhat obscured at the present time because there is a general dearth of goods throughout the world. But we may expect that this state of things will pass in a few years, when our industries and yours will have to depend on the old incentives to maintain their operation. These incentives are there in all conscience. Anyone who has travelled about this sad world cannot fail to be struck by the appalling poverty, squalor and illiteracy in which most of mankind eke out their fleeting lives. If ever there was a chance for us to show that our way of life can bring light and happiness to hundreds of millions who are now sunken in misery, now is the time. The removal of those trade barriers and restrictions, which are legacies from the time when each country was trying, in the economist's term to "export its unemployment," will at least be a first step in raising the world's standard of living.

I look to other means besides. At the present moment the work of the United Nations is much over-shadowed by the problem of security, and, in contemplating day to day problems, our minds tend to concentrate on the political disputes which claim the front pages of the newspapers. The real hope for our world lies in the constructive side of the United Nations Charter. I want to see the Bank and Fund working. I want to see great schemes like your TVA or Missouri project opening up, all over the world, new visions to people who now scratch the soil with primitive implements. This we are trying to do in our own colonial Empire, and to do so we have set aside large sums from our depleted resources in Britain.

Too Much Defeatist Talk

We find too much gloomy, defeatist talk in the world today. People tend to sink under the weight of recent disasters, to see only the darker aspects of the picture, to put aside hope and purposefulness. This is a natural hangover from the exertions, and also the exhilarations of war. I claim that we must fight this spirit. With all the industrial equipment which we possess, with all our scientific knowledge, with all our experience of government which we have inherited from the past, there is no limit to what you and we can achieve. It may also be our last chance to assert the values and proclaim the ethos on which our common civilization was founded. It is true that our ancestors crossed the seas and overcame the difficulties and perils of pioneer life in search of wealth, but we know that they also took with them the liberal idea. They proclaimed their belief in liberty and their respect for the dignity of man. That idea lies at the roots of your society and it is the central motif round which turn the institutions of our Commonwealth and Empire. We have to go on cherishing it and proclaiming it, and educating those for whose welfare we are trustees in the means of developing it.

If we fail this time, it might well be our generation who would witness the decline and fall, not only of the British Empire, but of all that the term Western Civilization implies. But we shall not fail, for we have found our souls. There is a new spirit abroad which will sustain us and uphold us on our steadfast journey to our goal. We shall not fail.

Bernard Rhaesa Joins Brady, Baird & Garvin Staff

Brady, Baird & Garvin, 115 Broadway, New York City, members of the New York Curb Exchange, announce that Bernard Rhaesa has become associated with the firm. He was formerly with Avery & Co.

Security Development Corp.

ROCHESTER, N. Y.—Security Development Corp. is engaging in the securities business from offices at 25 North Street.

BECAUSE THESE SECURITIES ARE BELIEVED TO BE EXEMPT FROM REGISTRATION, THEY HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION; BUT SUCH EXEMPTION, IF AVAILABLE, DOES NOT INDICATE THAT THE SECURITIES HAVE BEEN EITHER APPROVED OR DISAPPROVED BY THE COMMISSION OR THAT THE COMMISSION HAS CONSIDERED THE ACCURACY OR COMPLETENESS OF THE STATEMENTS IN THIS COMMUNICATION.

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Per Share	$1.00	$.17½	$.82½

Offering Price $1.00 Per Share

Proceeds of the issue are to be used for general corporate purposes and working capital. It is the present intention of the corporation to equip a black compound manufacturing plant with machinery and initial inventory at an estimated cost of about $100,000, to pay $6,480 for 12 new semi-automatic presses, to pay an outstanding bank note of $25,000 and to use the balance for working capital.

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Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Insurance Stocks

Fire losses in January, 1947, as estimated by the National Board of Fire Underwriters, were $57,180,000. This represents a decline from December, 1946, of $914,000, or 1.6%; on the other hand, they were 14.8% greater than in January, 1946. The trend in annual fire losses over the past 10 years has been as follows:

($000)		($000)	
1937	284,720	1942	314,849
1938	302,050	1943	380,235
1939	313,499	1944	423,538
1940	306,470	1945	455,329
1941	322,357	1946	561,487

It will be observed that in 1942, the first year of our participation in World War II, fire losses were moderately lower than in 1941. Since 1942, however, there has been a substantial year by year increase, the annual dollar and percent increments being as follows:

	Increments	
1943 over 1942	$65,386,000	20.8%
1944 over 1943	43,303,000	11.4
1945 over 1944	31,791,000	7.5
1946 over 1945	106,158,000	23.3

The largest jump, both dollar-wise and percentwise, occurred in 1946 compared with 1945.

Average annual fire losses in the five year period 1937 to 1941 were $305,820,000; for 1942 to 1946, they were $427,088,000 or 40% higher. Losses in 1946 were 63.5% higher than the 1937-41 average.

Naturally these high losses have had an unfavorable effect on the underwriting results of fire insurance companies, and in many instances have produced substantial underwriting losses. This situation is receiving consideration by the rating authorities in the different states, and already Massachusetts has authorized an average rate increase of 10%, while the New York Insurance Department is reported to be giving the matter definite attention. Generally speaking, rate changes are authorized only when the experience of the previous five years justifies them.

It is of interest at this point to examine the trend of operating ratios of stock fire insurance companies during the nine years 1937 to 1945. Ratios for 1946 are not yet available. The figures below are from Best's "Aggregates and Averages," and are based on aggregates of 262 companies.

Year	Losses Inc. to Prem. Earned	Expenses Inc. to Prem. Written	Combined Ratio
1937	45.9%	46.4%	92.3%
1938	46.7	48.4	95.1
1939	47.0	47.4	94.4
1940	49.8	44.6	94.4
1941	53.3	42.3	95.6
1942	59.0	*39.7	98.7
1943	52.1	*42.3	94.4
1944	57.3	*41.3	98.6
1945	58.1	*41.5	99.6

* Before federal income taxes.

The loss ratio first crossed the 50.0% line in 1941, and has remained well above it ever since. The expense ratio does not show the same trend, but this ratio during the war years is not strictly comparable with pre-war figures on account of the federal income tax as noted in the table. It is significant, however, that, even though total expenses increased, their ratio to premiums written did not increase in the same proportion due to the very large expansion in premium volume.

In 1945, 54% of premiums written by the 262 companies were in fire risks, compared with 59% in 1937; motor vehicle writings were 14% in 1945 against 23% in 1937 and 26% in 1941. Motor vehicle writings are again increasing in volume and importance, it therefore is of particular interest to note that automobile premium rates have recently been increased in 27 states, also in the District of Columbia and in Alaska. The new schedule, as recently announced by the National Bureau of Casualty and Surety Underwriters, calls for a 30% increase in premiums for property damage to private passenger cars, a 40% increase for commercial vehicles and a 12% increase for bodily injury premiums.

Premium volume written in 1946 was at the highest level in the history of the fire insurance industry and increased substantially over that written in 1945, the previous peak year. Increases reported by eight representative companies are as follows:

Company	Net Permiums Written 1946 $	Inc. Over 1945 %
Aetna	46,366,276	27.2
Continental	30,149,010	18.5
Fidelity-Phenix	37,141,306	16.3
Fire Association	16,451,862	44.7
Great American	29,203,744	37.5
Home Insurance	96,065,346	27.4
St. Paul Fire & Marine	27,781,924	26.8
Springfield Fire & Marine	28,502,307	26.2
	Average	28.1%

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Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)

Bolivia Slated to Get New Export Bank Credit

WASHINGTON, Feb. 25—Announcement is expected shortly of an additional Export-Import Bank credit to Boliva, for highway and petroleum development purposes. The credit is to supplement the unused portion of an earlier $15,500,000 credit.

Ross-Frederick Corp.

MINEOLA, N. Y.—Ross-Frederick Corp. is engaging in a securities business from offices on Old Country Road.

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Washington And You

(Continued from page 1121)

production prevails. In 1913 and 1916 we built freight cars at a rate of 12,000 to 15,000 monthly. In 1947, the most optimistic expeditors talk of 10,000, hope for 7,000 monthly. Office of Defense Transportation Commissioner J. M. Johnson is oracle for the prophecy that we face a four or five year freight car shortage.

* * *

Analysts predicted an 8.8% transportation increase in this year's first quarter. Actually, the first six weeks of the quarter brought a 10.2% hike. That points to a deficit of at least 25% in transportation requirements this year. Moans Commissioner Johnson . . . "If it were not for the truckers, the people would shoot me. The situation would be insufferable. You could not stand it a week."

* * *

The Reed bill authorizing carriers and the Interstate Commerce Commission to fix rates without genuflecting to antitrust laws is about to emerge from the Senate Commerce Committee. Congressional approval looks likely. A Presidential veto may send it back to the Capitol for another showing of hands. Outcome of a veto contest can't be intelligently appraised until the strength of lawmakers backing the legislation is sampled by votes on passage of the bill.

* * *

International Bank troubles in prospecting for a president are fomenting skepticism in state circles over securities to be issued by the agency. Bank steersmen are disappointed, had hoped to get an early green light for issues in all states.

* * *

A Federal Power Commission scheme to broaden its influence by grabbing control over industrial plants generating their own electricity from water power of navigable streams may be throttled in Congress. The Commission is now notifying many small manufacturers in this category that they are being classified as public utilities and must apply for a Federal license. Commission agents may regret this gesture when aroused House Appropriations Committee members demand to know why they are crying for a 47% appropriation boost and undertaking new activities without regard to the economy doctrine.

* * *

For a dime you can buy a new Commerce Department opus on "Guides for New World Traders." It's fashioned "to help businessmen set a sound and intelligent course toward profitable exporting and importing." Vendors are the Department's field offices and Superintendent of Documents, Washington 25, D. C.

* * *

Here's an example of Army economy. During the war, the Generals operated for House members a liaison office with one Colonel. Now that war is over and activities vastly diminished, one Colonel and two Lieutenant Colonels have been assigned to the office.

* * *

Copper producer representatives are arranging a meeting with western Congressmen to formulate strategy for opposing any modification in the four-cent copper tariff. They might agree to countenance a temporary suspension of the impost.

* * *

Reconstruction Finance Corporation through last June had authorized 30,469 loans aggregating $3,432,000,000 to business enterprises, either directly or in participation with local banks. Approximately 30% of the authorized loans were to small borrowers requiring $5,000 or less. Loans of $25,000 or less comprised about two-thirds of the total. Nine-tenths of all loans were under $100,000.

* * *

Reconstruction Finance Corporation for veterans idea will be explored diligently by Congress and may be tagged for approval. The proposal, projected by veterans organizations, envisions a new agency, would not only authorize but would direct that agency to supply credit to veterans for business ventures and to employers pledging job priority to veterans. It has been treated lightly to date, but is due for sober consideration when congressional committees look at legislation continuing RFC.

* * *

Federal loan bosses are dead set against any mandatory small loan legislation to veterans or anybody else. They want discretionary, permissive power.

* * *

Mounting merger rate is annoying small business proponents in government. Mergers attained a new historical peak in 1946, have doubled since V-J Day. In 1946's third quarter, for instance, consolidations totaled 113. In 1939, last prewar year, mergers never exceeded 25 in any quarter.

* * *

The Army's ambition to spend $1 billion for new airplanes and parts during fiscal 1948 is under the economy fluoroscope, and a curtailment may be prescribed by Congress. Certain legislators, some of them powerful, feel this budget recommendation can be halved without harm to the Air Force. They seem not perturbed by possible impacts on the aircraft industry.

* * *

Former President Hoover's recommendation that Germany be speedily converted into a self-sustaining area is expected to inspire public promotion of the thesis that American bankers should help finance German exports. Talk of such loans has been heard in quiet Washington nooks.

* * *

Portal pay legislation will be tough despite Senate inclination to pussyfoot. Before this week ends, the House probably will have voted to outlaw most portal suits and to impose a one year limitation on future wage claims of any nature. The Senate may demur but can win only minor concessions from House arbiters. In the main, the House formula will become the law.

* * *

Senate Commerce Committee is prowling about in a sort of genteel witch hunt in its investigation of commercial airline finances. The prowlers have little specific comprehension of what kind of fiscal goblins to hunt for or expect. The inquiry will be general, broad, probably polite and possibly helpful. Under inspection will be the suggestion that Federal civil air authorities be permitted to pass on airline security issues.

* * *

A check at the Federal Reserve Board discounts congressional complaint that agency maintains a $12,000-a-year public information man disguised as assistant to the chairman. Fact is the Board saves money by having the chairman's assistant handle press and radio queries, thus avoids hiring a press agent. Bulk of the work by the chairman's assistant has to do with other Board matters.

Nat'l Foreign Trade Directors Elected

The National Foreign Trade Council, as a result of action taken at the annual meeting of members held early in February announced on Feb. 11 the election of directors for a two-year term as follows:

M. W. Bowen, Socony-Vacuum Oil Co., Inc., New York; Charles Cain, Jr., The Chase National Bank of the City of New York; Reginald F. Chutter, Sharp & Dohme, Inc., Philadelphia; W. W. Coleman, Bucyrus-Erie Co., South Milwaukee; W. J. B. Dixon, The Texas Co., New York; John L. Gillis, Monsanto Chemical Co., St. Louis; W. L. Hemingway, Mercantile-Commerce Bank & Trust Co., St. Louis; W. R. Herod, International General Electric Co., New York; G. C. Hoyt, International Harvester Co., Chicago.

Also Fred I. Kent, Bankers Trust Co., New York; H. D. Keresey, Anaconda Wire & Cable Co., New York; P. A. Kinnoch, American Trust Co., San Francisco; William E. Knox, Westinghouse Electric International Co., New York; John C. Leslie, Pan American World Airways System, New York; F. L. Marshall, Montgomery Ward & Co., Chicago; Frank C. Page, International Telephone & Telegraph Corp., New York; Robert H. Patchin, W. R. Grace & Co., New York; Stanley Powell, California Packing Corp., San Francisco; H. L. Schultz, Standard-Vacuum Oil Co., New York; A. D. Simpson, The National Bank of Commerce, Houston; William R. Strelow, Guaranty Trust Co. of New York; C. B. Thomas, Chrysler Corp., Detroit; Brayton Wilbur, Wilbur-Ellis Co., San Francisco and John A. Zellers, Remington Rand Inc., New York.

Reichsbank in French Zone to End Feb. 28

Plan for Central Units In States

Under the date of Feb. 19 special advices to the New York "Times" from Frankfort-on-the Main, Germany, said:

The French Military Government will liquidate the Reichsbank in its zone, effective Feb. 28, the French headquarters at Baden informed United States headquarters today.

In pursuance of their program of economic decentralization, the French said, each Land [State] of the zone will set up its own central bank, which will take over Reichsbank assets. A coordinating committee of representatives of the central banks will be created at Speyer.

The French reform follows the lines of that recently decided upon in the United States zone.

Australia and New Zealand

BANK OF
NEW SOUTH WALES
(ESTABLISHED 1817)

Paid-Up Capital	£8,780,000
Reserve Fund	6,150,000
Reserve Liability of Prop.	8,780,000
	£23,710,000
Aggregate Assets 30th Sept., 1945	£223,163,622

THOMAS BAKER HEFFER,
General Manager
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Attaining Maximum Purchasing Power

(Continued from page 1122)

of "Ignorance-and-brute-strength" attack on the problem.

What seems to me to be needed is a greater refinement of sales effort and emphasis on efficiency —which means economy—in the distributive effort. The problem of finding or preparing enough purchasing power in the market to take off the large flow of goods and services that we are capable of producing under conditions of full utilization of our productive resources means that you must keep efficiency up and costs down so that maximum volume may be taken within the limits of income that producers bring to the market.

If distributors of finished goods accept the view of themselves as purchasing agents for the great body of consumers, which I suggested above, they will undertake to exert a threefold influence in the direction of lower prices and greater volume. First they will seek to eliminate or reduce wastes and inefficiencies (either physical or commercial) in the process of assembling, handling, and passing on goods to the consumer. Second and more important, professional representatives of the consumer range farther than he possibly could in search of the most economical sources of supply, and they are better equipped than he to discriminate differences in quality in relation to price and the uses to which an article is to be put. Third, they must be aggressive in using the collective bargaining power of a large clientele to induce price concessions from the producer or to stir him to improvements in manufacturing methods or alterations in design which will make possible larger consumer satisfaction with less outlay.

Now I am not going to say anything about the first of these three services which you as retail merchants render in helping the nation to attain maximum purchasing power. I am sure you are quite capable of taking care of the problem of efficient operation or at least others are better able to counsel you on these matters than I am.

But the second of these three types of service is definitely "down our alley." What this function means is that you will reduce the friction or put oil in the bearings of the process of economic competition. You will be putting every producer on his toes to reach your market—serve your customers by giving them more in volume or quality for their money than the other fellow can or will. This is the essence of competitive business enterprise.

Now the Employment Act of 1946 is dedicated to high production and consumption under a system of "free competitive enterprise." Business organizations, notably the Chamber of Commerce and the National Association of Manufacturers, likewise express their devotion to this principle of competitive private enterprise. It is up to all branches of business to put the principle fully into practice in 1947 and the years that follow. No one knows precisely where prices, and costs, and volume are going to find their equilibrium in the years ahead. But we do know that if we are to have sustained prosperity we must keep the throttle open for volume production and sales. We must not try to maintain either price or profit margins **at the expense of** volume. That is "restraint of trade" and is the antithesis of maximum production, employment, and purchasing power.

Position of the Middleman

Retailers are often referred to as "middlemen," and I suspect that you often feel that the man in the middle is not in a very comfortable position. He is between the consumer, who is constantly saying that prices are too high or goods are not precisely what he wants, and producers who crave higher prices or berate you for any tendency toward cutting prices to move goods. Producers likewise generally like to sell the kind of goods that it is convenient for them to turn out and would discourage you from shopping around for more economical sources of supply.

This uncomfortable position of the middlemen is peculiarly difficult for you just now when producers have been living for some years in a sellers' market and likewise have been vexed with difficulties of reconversion and when, on the other side, consumers are finding themselves confronted with the situation of smaller net incomes at a time when they are anxious to replenish war-depleted wardrobes, furnish a rapidly expanding number of housing units, and catch up on their stock of postponed durables, particularly automobiles. At the same time they are trying to keep up the higher levels of food, drink, and amusement expenditures established during the war.

If you are to do your part in coming as close as possible to satisfying these wants, you must be left free to get goods wherever you can get them most advantageously. To this end, you cannot be bound merely to take what is offered in the local market nor content with the economic isolationism that prevents you from getting goods wherever quality and price are right, whether at home or abroad.

It is a slogan of American business spokesmen today that we want to get back from all sorts of government controls and limitations to the wholesome price system of a free competitive market. This is a perfectly sound economic position and the only one on which we can hope to maintain peacetime prosperity at a high level and avoid government control. But it is not compatible with maintaining tariffs so high as to keep domestic prices at an artificial level and certainly not consistent with attempting to push such protective bars to competition still higher.

This brings us to the third great line of retailer service to a high production economy. You must be aggressive but skillful in using the mass buying power and the mass power of resistance of your customers to win every reasonable and economically justified concession that can be gained in the suppliers' market. After all is said and done, the buyers' market is the normal market, and unless free enterprise shows that it can go on operating in a buyers' market, it cannot be said to have demonstrated its ability to deliver the prosperity that our productive resources make possible.

Price Policy

Of course this does not mean that the power of mass buying should be used blindly as a club to force prices down regardless of whether cost conditions justify such a decrease. You have a great responsibility to educate producers as to the strength and direction of consumer demand and to warn them of its limitations. But you have no less responsibility to educate the buying public so that they may not expect prices which are economically impossible of being continued or to use the weapon of the buyers' strike to disorganize markets and impede the smooth completion of our reconversion effort.

I daresay you would like to have me give you a "hot tip" as to whether we are going to have a recission and when it is to begin, how deep it is to go, and how long it is to last. Well, I don't know. And neither do the dopesters. But I do know that we are not going to move from the artificial prosperity of mass buying on the basis of a national debt of staggering size to the sound prosperity of a peacetime private market without making an infinite number of small local decisions and adjustments. Those decisions mean taking your losses when you have to, but not letting it get you down. It is how the individual soldiers in the front line perform that determines how the battle goes. The thousands of retailers over the country are in the front line of the reconversion battle. On their good sense and resourcefulness, and indomitable enterprise will depend much of our ability to avoid depression and to outride minor fluctuations of business.

J. J. Allen in Buffalo

BUFFALO, N. Y.—J. J. Allen & Co., Inc., is engaging in a securities business from offices at 608 William Street.

Bessie Q. Mott

Bessie Q. Mott is engaging in a securities business from offices at 250 West 57th Street, New York City.

Vogelbach Associates, Inc.

TUCKAHOE, N. Y.—Vogelbach Associates, Inc. are engaging in a securities business.

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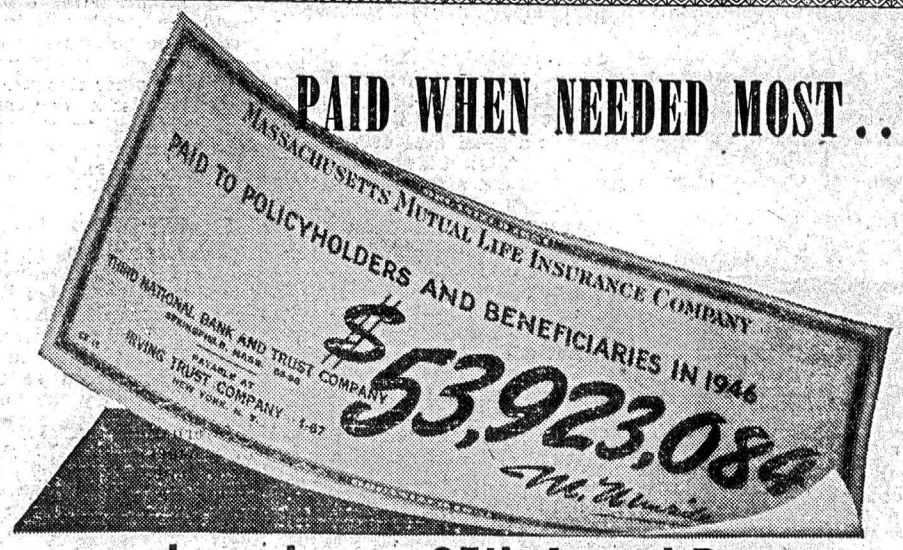

as shown by our 95th Annual Report

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Life insurance serves many purposes. The one of greatest importance to the home is that of enabling men and women to guarantee financial provision for themselves and their families beyond the time when earned income will be reduced by old age, or destroyed by death.

But, whether your problem is that of making the future financially secure for yourself in old age, or for your family in your permanent absence . . . or protecting your business against the loss that would follow the death of its key men . . . or providing life insurance or retirement income for employees . . . you are invited to discuss it with a trained and experienced Massachusetts Mutual representative.

Summary of Annual Statement as at December 31, 1946

Assets

Bonds, Mortgages and Other Assets		$1,063,138,948
Interest, due and accrued		7,759,864
Premiums, due and accrued		13,544,655
Total Admitted Assets*		$1,084,443,467

Liabilities

Policyholders' Reserve		$ 781,035,184
Policyholders' Funds		219,137,176
Policy Claims in process of settlement		3,752,406
Dividends to Policyholders		12,723,528
Taxes		2,185,341
Miscellaneous Liabilities		1,135,224
Special Reserves		1,004,365
Special Surplus Funds	$ 9,000,000	
Unassigned Funds	54,470,243	
Surplus to Policyholders		63,470,243
Total Liabilities and Contingency Funds		$1,084,443,467

United States Registered Bonds included in the above statement are deposited as required by law; State of Massachusetts $300,000; State of Georgia $10,000.

*"Admitted Assets" are assets determined in accordance with rules established by the National Association of Insurance Commissioners.

A complete Annual Report will be sent on request.

Massachusetts Mutual LIFE INSURANCE COMPANY
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The Swedish Anti-Depression Program

(Continued from page 1125)

managed to agree, which is supposed to be rare. They managed to agree that one aim at balancing the budget over a period including a business cycle—whatever that may be—that the state should have a deficit in depressions and a surplus in booms.

Certain rules were laid down that if you had a deficit one year, you must put as a debit item to be covered in the next year 20% of that deficit. Maybe you have a deficit the second year too. All right, then the third year you must put as an item to be covered by income 40% of the annual deficit. By applying that kind of rule, one would then automatically get a deficit out of the world eventually. The 20% rule is a very rational thing. However, it placates the conservative opinion, and the whole thing went through in the Riksdag without any opposition at all. Unfortunately, the scheme was not practiced because the war came along. It is true that in 1938-1939 we had a certain budget surplus, but then during the war we got enoromus deficits for defense purposes. Now, in the last two years we again have certain surpluses. Whether they are large enough to satisfy the requirements in accordance with the policy of 1937 is somewhat doubtful, because the budget surplus for the year 1946-1947 is about 320,000,000 kroner. If you take into account the difference in the national income, this would correspond in this country to about $3,200,000,000—not a very large sum when you have a state of over-employment.

I return again to the pre-war policy. In 1938 we got another result of the new attitude; a legislation that enable firms to set aside part of their profits into special funds, taxfree, on condition that they will spend those sums of money in buildings and construction during a period which the government declares to be a suitable period—say, something of a depression. If they do not spend the money when the government has said, "Now we have a period when you should invest," then they have to pay the tax, plus 3% annual interest from the time when the fund was created.

You may ask, "Why do they have to invest in buildings and construction?" That is because what is invested in machines can be written off tax free anyhow, any year the firm wants to. It can be written off completely. Business firms do not have to pay tax on the profit which they can dispose of by writing off machinery. As to inventories, they also can be written down to—well, not to nothing, but to a very low figure. So in these two respects our Swedish tax laws are relatively generous to business.

Planning Public Works

In 1944 a report was presented by a special public investment board which had been created a few years earlier in order to prepare detailed plans for public works, because it was found in the Thirties that it took too much time before they could get started. The conclusion was drawn that we ought to have all the blueprints ready in advance. Therefore, these blueprints have been made, and we have quite a large volume of public works that are ready for realization. The technique used is the following one: the government prepares over and above the ordinary current budget and the ordinary capital and investment budget, a third kind of budget which you might call "an emergency investment budget," where you put in all these planned extra public works. The Riksdag has to pass the appropriations individually just as if it had been an ordinary proposal; but nothing is to be done about it until the day when the government thinks that now is the time when the general economic situation calls for an expansion of public investment. Then it has only to press a button and the whole thing starts.

The budget for 1945-1946, which was the first one that had this particular device, covered public works and subsidies to municipal works amounting to 600,000,000 kroner, which in this country would correspond to an expenditure of about $6,000,000,000. If one takes into account that this includes only a part of the cost of the municipal investments, it means that one could get new public investment relatively quickly amounting to a somewhat larger figure.

Some people have expressed the opinion—I think Sir William Beveridge, for instance—that you cannot put off useful investments. There is a great deal of truth in that, but I think it is an exaggeration. You can make out a list of investments which you think are very useful but which for various reasons you do not want to do this year but maybe you will make them next year or the following year. What happens now in Sweden, when one year has passed without a depression, is that we take the most urgent of the investments out of the emergency budget and put them into the ordinary capital investment budget, and they will be carried out. Then we put some new things into the emergency investment budget so you always have a sufficient volume as a reserve. If you ask what kind of investments they are, I should say they are in public buildings, schools, investments in railroads, postal offices, telegraph offices—such things that are state enterprises in Sweden.

There is also a scheme for increasing subsidies for investment in agriculture and forestry. We have an old policy of the state contributing when a farmer wants to improve the drainage system, or raise the productivity of the forests—something a little similar to the American soil conservation program. If there is a depression the government will increase those subsidies so as to make people speed up that kind of investment.

A New Stage in Public Finance

Some people think that such measures as public investments financed by borrowing are relatively insignificant. Let me say that I think my colleague, Professor Myrdal, the present Minister of Commerce, is quite right when he says that we have passed through two stages of public finance and into a third stage that requires a different kind of thinking in these matters. The first stage was when the state expenditure was so small compared with the national income that the Minister of Finance adapted the revenue from taxation to his expenditure without having to consider any reactions on the economic system as a whole. That was before 1914. Then, in the period between the two wars, we drifted into a system where public expenditure became so large a part of the total national expenditures that its variations substantially affected the volume of national income and expenditure. That is where we have been, most of us, in our thinking.

But the third stage into which we are drifting—at least in some European countries—I make no predictions about the United States—is one where the public expenditure becomes so large a share of the total national expenditure that it really becomes one of the dominating factors in the whole development.

We have in Sweden, for instance, a gross national income of 20 billion kroner. The public expenditure, after the deduction of sums that appear twice is something like five billions. But if you take into account that this does not include the gross investment, but only the **new** investment of the state enterprises, then the expenditure directly controlled by the state or state enterprises runs into between something like six billion kroner. You see that this is a very considerable share, and that we must keep that in mind all the time. Government finance has to be studied with regard to its effect on the economic system as a whole. E. g. I think it is the accepted view in Sweden that one should not repay a state debt just because one has piled it up in the preceding years; you should only repay a state debt if it would be helpful in causing a deflating tendency. If you have already for other reasons, a tendency towards a depression, it would be irrational to reduce a war debt through a budget surplus, thereby intensifying the depression.

Swedish Postwar Planning

In the early part of 1944 the Swedish Post-war Economic Planning Committee started its work. I shall try to describe now the proposals that have been made by this Committee, using thereby not only the published reports but also an article by the Secretary, Professor Kock, and a memorandum by one of the experts, Professor Sven Nilson.

Before coming to the concrete problems, I should like to characterize the attitude taken by this Commission. It fixed as the goal for the employment policy a high and steady level of employment, as far as possible, in the ordinary lines of occupation. It is true that the structural changes in industry had to be considered, but with that reservation, one should try to keep people employed where they normally work. The possibility of structural changes makes it, of course, very important that there be a sufficient mobility of labor, improved labor exchanges, and that kind of thing.

If public policy is to achieve an effect of essential importance, a coordination of measures is required, a coordination of measures influencing different fields of economic activity. Therefore the most important aspect of the work of this Committee is that it presents a great variety of measures.

In Sweden the depressions seem to have been imported from abroad. We are not large enough to create depressions or booms ourselves. So they spread to Sweden, apparently, partly through a reduction in the foreign demand for Swedish goods. Therefore it will be an essential part of any Swedish anti-depression policy to maintain production in the export industries, in spite of the drop in the foreign demand.

If that could be achieved, the Committee says, i. e. if the volume of income, after adding unemployment benefits, in export and in investment industries, could be maintained, then no serious reduction need be feared in the consumption industries. A tacit assumption is, I think, made that the general wage level will not be reduced and that therefore no considerable fall in consumer goods prices can be expected which might induce consumers to curtail their purchases suddenly.

It is unlikely, however, that in a country like Sweden where the normal value of exports is as large as 15% to 17% of the national income, a reduction in the income in export industries and investment trades can be completely avoided. Therefore, other measures are needed that will create expansionist tendencies offsetting the tendencies to contraction that come from these former occupations. These offsetting measures should be directed to increase the consumers' demand to avoid a large transfer of workers from consumer industries into public works. Public works are regarded only as one of many different measures that together make up a policy, for public works cannot easily and usefully be expanded beyond a certain point.

The consumer demand that tends to fall is particularly the demand for durable and semi-durable goods, furniture, motor cars, refrigerators and radios, household articles, textiles, clothing and shoes. It happens that there are large unsatisfied needs for such goods in most countries particularly in countries where the standard of living is not so high as in the U. S. For instance, it was found in the early Thirties that a very large proportion of the children in Sweden did not have beds of their own. It was rather a dark picture, surprising even people who knew about social conditions in Sweden. What could be more useful as an investment than to see to it that the children got beds of their own? Hence one should try to increase the purchases of durable and semi-durable consumer goods in case of a recession. This, the Committee suggests, can be done through a temporary increase in the aid that is given to families with children. We have a permanent population policy, aiming at equalizing to some extent the standard of living between families with children and families without children. Why not introduce a business cycle policy into this permanent population policy—increase the benefits given to families with children in case of a recession? The regular assistance that is given to families with children is a subsidy, that covers part of the house rent. It is 10% of the rent for each child, plus some other benefits. We also have some free schoolbooks and now, gradually, free lunches. Stipends of about $140 are given without any means test to each child if they live outside the place where they go to school, from the second form of the secondary schools. You can get up to $155 as an extra stipend if you need it, whether you live where there are secondary schools or not.

The Commission suggested a temporary grant to families with children to cover a part of the cost for purchases of durable consumer goods in case of a depression. In other words, it is a combination of ordinary social and special anti-depression policies.

The expenditure for social aims, except unemployment benefits, has often been reduced in times of depression in Sweden and elsewhere. Now, this is all wrong, the Committee thinks. The social expenditure should be increased at a time when society can afford it, i. e. when it makes for a better utilization of resources. Therefore, plans for new social reforms should be worked out as early as possible, and if a depression comes, you should speed up the realization of these new social reforms. This is something over and above what I said about the durable consumer goods.

Swedish Plan Not Keynesian

You will find here, as elsewhere, that the idea behind the Swedish proposals is not the Keynesian idea that there is a danger of a **permanent** underemployment and that you need some permanent policy to keep up investment in a sufficiently high level. We are, in this respect, old-fashioned in Sweden. The proposed policy is based on the assumption that we have business cycle movements but that probably, in certain periods, we will have a tendency towards too-large employment.

After this general introduction, let me try to make a brief survey as to some of the proposals of this Committee. I shall not now go into what has been decided before—the cyclical balancing of the budget, and the investment fund legislation, the scope of which may be extended to some extent.

The Committee emphasizes the need of **a coordination of the public and private investment.** Therefore, it suggests that an **investment council** be created. It is essential that investment goes into channels that are productive, that is to say, increase efficiency, and that they do not set up maladjustments. Hence, the investment policy must be based on a distinction between primary causes of depressions and secondary reactions.

As to the municipal investments, the Committee is not very optimistic. It thinks that it will be difficult to get further than to bring them on an even keel. For various reasons, many municipal investments are so closely bound up with the state of business—take traffic, the sale of electricity in a city, the sale of gas, etc.—but one should require that the muncipalities achieve a fairly even volume of investment and do not vary it with the business cycles as they have done hitherto. The state can help to bring this about not only by persuasion, but also because it is financing a part of the municipal investment in Sweden, like in many other countries. Besides, the municipalities cannot borrow without permission of the Treasury.

Stimulating Private Investment

As to **private** investments, the Committee thinks that one should try to counteract their tendency to go down when there is a recession and aim at expanding a part of them. How can that be done? Well, an investment council of the Swedish sort—it was set up a year ago—then you can attempt a voluntary coordination, because you have representatives of industry and trade in the council together with the representatives of the government. One can persuade people to do a great deal.

Secondly, you have the possibilities of government stimulus. You can, e.g., expand the scope of the tax methods I talked about. Thirdly, you have the possibility of a direct control of building and construction, a control that is used now during the state of overemployment and post-war scarcities. However, the Committee thinks it is inadvisable to retain that as a permanent policy in its present strict form. One should try to keep only that part of the regulations which is necessary to even out the seasonal variations in the building and construction trades.

Use of Credit Policy to Influence Investment

Fourth, one can use interest and credit policies to affect private investment. That is something that one is almost surprised to read about now because it is so little fashionable to talk about interest policy.

The Committee emphasizes that it is cheaper to invest in depressions, which is one reason why you can probably persuade business men to invest if you try. Secondly, businessmen will avoid state intervention if they can. So you may tell them that if they behave well without compulsion they may avoid it altogether. Furthermore, with the growing scarcity of labor businessmen are anxious to keep their labor force together; that is one reason why they might consider to increase investment in a depression when they cannot keep, all their workers employed in normal production.

Business organizations can exert an influence through information and propaganda. The business organizations should, however, consider not only the time element but also the localization of industry, because unemployment is really a problem that has a great deal to do with localization, i.e., where activity is getting slack,

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and where there are possibilities of expanding it, so the Federation of Swedish Industry has created a special institute for advice with regard to the localization of industry.

The Committee thinks that one should try to prevent a situation where the liquidity position of business firms deteriorates so much that it makes them reduce their investments. This is one reason why there has been no talk about changing those of our tax laws, which permit business firms to consolidate their position.

I have already mentioned that the government can vary the subsidies to private investment in agriculture and forestry, but the Committee does not want this policy expanded into manufacturing industries.

House Building Policy

As to housebuilding, one would have thought that it would be natural to say that it can be expanded, for it is something that is very much influenced by the government. The Swedish government finances housebuilding to a large extent already and will do so to an even greater extent from next summer. One would have thought it natural to expand that in a depression. But here the Committee says that the investigations made by the special committee for housebuilding have shown, that one should only aim at a stable volume of housebuilding in the cities, because if you expand the labor force in the building industries, you cannot contract it again. The building industry is a high-wage industry, and you cannot get people away once they have been used to making almost twice as much per hour as they get elsewhere. Out in the country, on the other hand, you can expand building in a depression, because there they can drift back into other pursuits later on.

Organization of Investment Council

I shall not go far into the organization of the council. I shall only say there is one member of the government presiding; there is one member of the special board for public investments; one for the labor market board, one for the permanent housebuilding finance board; two representatives of manufacturing industries, and one for agriculture; one for the employers' organization and one for the workers' trade unions; one for the cooperative movement; one for the retail trade and one for the wholesale trade. The head of the Business Cycle Institute is there as an expert, and of course there are many other experts.

The council is a forum for discussion to work out lines for the policy that is needed in each stage of development. Its object is to influence the private investment and to bring about a coordination of private investment with public investment. But it can only discuss the question connected with public investment. No majority decisions can be taken—for obvious reasons—but one tries to reach voluntary agreements, and then each party has to try to bring into effect these agreements in its own sphere. The council can also express opinions publicly in order to influence the policies of the various groups in society.

Export Industries Inventories

Another proposal made by the postwar planning committee is State stimulus to increase inventories in depressions, particularly in the export industries. You must remember that the export industries are very important in a Swedish economy, if one does not want to turn the workers over into public works, what can one do? It is not practicable to make us read newspapers that are twice the normal size in order to consume the newsprint in Sweden; nor can we use in other ways all the pulp that we normally export, or any large part of it.

You can, however, produce some of those goods and pile them up in stocks. It has been found, I think, that in the first stage of a depression, inventories will often rise; but in the second phase of the depression they may go down. I have been told that some investigations that are made here will support that opinion, which is only natural because a long depression makes businessmen feel pessimistic and reduce their supply of liquid capital.

Businessmen agree that it might be a good thing to produce commodities for stocks and pile up inventories in a depression; but some of them said that the knowledge that these stocks exist would reduce the world market price. For instance, if one had large stocks of pulp, the foreign buyers would pay a lower price for the pulp. The economists objected, "Well, you have only a certain supply; you have a certain demand that is indepedent of Swedish policy, and you have the Swedish supplies, which are not affected by the stocks, as long as the stocks are being kept; how can it influence price?" The exporters answered that it does "psychologically." If the foreign buyers know that the stocks are there, the outcome may be a lower average price over the whole cycle, because obviously when the stocks are put in the market in the boom conditions, prices will be lower than they would otherwise. But will prices be lower at a time when the stocks are maintained? I do not dare to express any opinion about this question but it is quite probable that the average price over the cycle will be somewhat lower. After all, that is only natural if you keep up production on a higher average level. At the same time, it may well be an advantage not only to buyers but also to the exporting country. For instance, in many cases it will be useful to be able to supply the foreign demand more than we normally can in boom times. Secondly, it may be useful from the point of view of home supply to have stocks of certain goods, for instance of timber. If Great Britain had piled up a stock of coal, it could have been quite useful now. Therefore, from a supply point of view, there are advantages in having a reserve that is created in slack times, particularly in industries where export possibilities are usually very good in the booms.

Government Participation In Stockpiling

Now, how shall the state bring about this increase in inventories? The state can purchase part of the goods, pile them up and sell them later. But it is considered more natural for the state to grant certain credits at low interest rates, although not so low that there is an element of subsidy in the credit terms. In some instances the state can guarantee for the risk of loss on a part of the inventories without asking for part of the profit if it should appear.

The Committee recommended that Sweden should, during the last period of the war and the first period after the war, make use of its productive capacity to pile up stocks, and that was done to some extent. The stocks of pulp and timber were unusually large at the end of the war. This was very easy, because everybody could see that there would be a large foreign demand after the war.

A secret investigation has been made as to the existence of a surplus capacity in Swedish industry in order to define somewhat more clearly the limits of this kind of policy. The Committee has suggested that a special board be created to take care of the whole thing and go more minutely into the marketing conditions and so on, but that board has so far not been appointed.

Stimulating Sale of Durable Consumers Goods

I have already mentioned the proposed measures to stimulate the sale of durable consumer goods. I will give just a few facts more.

Families with at least two children under 16 years of age, plus mothers with one child or more, should get this subsidy to be given in the form of a discount of 50% of the price when clothes, furniture and household goods, including kitchen machinery and such things, are purchased at the proper times. There should be no means test. The subsidies should be limited to the basic sum of 50 kroner plus 25 kroner for each child. That would mean that a family with three children could get 125 kroner or approximately in this country $35. The annual cost has been estimated at 64 million kroner if everyone eligible availed himself of the subsidy. That would correspond to $640,000,000 here. The Committee thinks that it will be possible to get an extra advantage if production of standard qualities is organized in large series, similar to the advantages achieved in Great Britain during the war through the "unity" goods. Furthermore, there would be new possibilities for a control of the quality of the commodities by a special research institute. That institute should also try to educate the people to buy the right kind of goods when they get the subsidy.

A special board is proposed to organize this policy. It should also investigate the advisability of changing the credit conditions for instalment purchases with the business cycle. This has been proposed in this country I think by Professor Reifler, and personally I think it is a sound proposition. The board should also make investigations into the possibilities of persuading government and municipal institutions to buy durable goods in the depression. If they need to replace old office furniture, they should as far as possible buy it in depression times.

Stabilization of Employment

The postwar planning Committee has also been occupying itself with problems of the rationalization of the structure of the industry to reduce seasonal unemployment, but it did not succeed in finishing that work it has been taken over by the Department of Commerce where it is now being pursued. Some private industries however, started this kind of thing before the government committees. For instance, in the shoe industry they have already organized measures to avoid seasonal unemployment by agreeing that the salesmen from the shoe factories should only visit the retailers at certain dates. In that way, the retailers may be prevented from ordering shoes at a very late stage, which would mean that overtime work and extra labor would be necessary in the shoe industry, with a consequent slack employment later. In that way we have almost entirely got rid of seasonal unemployment in the shoe industry.

Increasing Employment Benefits In Depression

The Committee did propose another thing which was not received in a very friendly fashion. As a matter of fact, it was turned down by Socialists in the city of Stockholm and in the unemployment board and various other institutions. This proposal was that unemployment cash benefits should be increased in times of depression. The Committee's idea was the following: Normally you cannot step up the cash benefits to the same level as the normal wage, because then people will not have any inducement to find a job. But when there is a severe depression you cannot find a job anyway, so why not give the unemployed almost the same as a full wage? Time does not suffice for me to go into that, but I daresay that e.g. retailers who make less money in a depression, will not understand why the unemployed fellow should get an increase when all the rest of them are getting less.

Monetary and Commercial Policy

As to monetary policy and commercial policy, I shall say only a few words. It is as a matter of fact one of the weaknesses of the program that it does not include a policy in the monetary and financial field. The Committee ended its work before that was done.

As to a commercial policy, the Committee emphaizes that it is the Swedish interest to have as free international, multilateral trade in the world as possible. The trade policy must take this into account. Therefore we should continue a lower tariff policy and refrain as far as possible from restrictions. The size of the Swedish exchange reserve is a limiting factor, however, for any policy of maintaining a very high level of employment if other countries do not have it. So Sweden must support an international policy to keep up employment everywhere. In the meantime, the Committee thinks that some temporary control over imports may be needed during the transition period.

In 1945, when this program had been prepared, we were — we thought — fairly well ready for a depression or some kind of recession anyway. But as so often happens, the economic development fooled both the economists and the politicians. It is very hard for anyone like me, who is supposed to be both an economist and a politician.

The expected postwar inflationary boom — thought of a predecessor of a depression — proved unexpectedly long-lasting and intense. At present, we have a growing inflationary pressure, although not much rise in prices, because we have a strict price control. It has got to a situation where a large amount of goods is produced at a loss or without much profit. Therefore producers tend to expand the output of other goods that are not so strictly regulated and on which they can make some profit.

Problem of Inflationary Pressure

So the real question in Sweden now has become not to avoid recession but to reduce the inflationary pressure, to prevent an increase in the aggregate volume of demand. Here, the absence of a real monetary program in the wide sense of the word makes itself felt. The government has proposed to continue price control and to keep the volume of credit to foreign countries lower than in the last years. We have gone quite far already in granting credits, aggregating some three billion kroner. This would compare with American credits of $30,000,000,000. About ⅔ of the Swedish credits have already been used and what remains is, on the whole, chiefly the last third, which is part of the Russian agreement. That credit is only beginning on a small scale in 1947. Last month the government presented an investment budget for the whole economy. This is a new idea. We have so many budgets—but this is a new thing, because it is not a government budget. It is a budget for the total investment activity, private and public. It has been passed by the investment council. Professor Sven Nilson has been chiefly instrumental in working it out.

You find there sums for each kind of investment and an analysis whether it should be maintained or reduced in 1947 or should it be perhaps increased? Although, we have a great scarcity of dwellings, housebuilding has to be reduced somewhat. There was an increase from 1945 to 1946. As we felt an inflationary pressure in 1946, we must reduce the building of dwellings and factories. Firms who can expand output with the same labor force will have a preference when permission to build factories is granted.

Neglect of Consumer Demand

The investment budget does not cover investment in machines and in durable consumer goods, which are not in any way subject to regulation.

This government program to limit purchases is evidently an incomplete one, because nothing is said about the largest sphere of demand. The government demand is under control, and a large part of investment demand is regulated. But the consumer demand is not mentioned in the whole scheme. Nothing is said about wage rates. Obviously, if we step up wage rates, by an average of 15% as the unions demand, then farmers will want 15% or 20% higher incomes, and the white collar workers, of course, will follow suit. Then the consumer demand will rise so much that a fixed price level cannot be maintained, because the supply of goods is insufficient. It will only grow slightly above the 1946 level. I have as a member of the opposition, called for a **national budget** for the whole economy that includes also the consumer demand. We need a budget which shows us how much more goods we have in 1947 than in 1946, and therefore how large an increase in purchases that are possible at the stable price level. Such a survey—this is a better term than budget—would be a useful guide, e.g. for wage agreements. It would help to make people understand what kind of policy that is compatible with a stable price level.

Evidently, as you see, we have been too late in the working out of a consistent policy for the situation that we met in 1946-1947. We were prepared for the coming of some kind of recession, but not for a long-lasting inflationary tendency.

Unfortunately, the state of over-full employment has caused a drain on our foreign exchange reserve. If there should be an international recession in the next year, and we should try to maintain our domestic volume of activity, then our balance of payments would be affected in a negative direction. Therefore, we might not have foreign exchange enough and might have to use trade restrictions.

So it would seem that both for us and for almost all other countries,—they are in a similar position with regard to the foreign exchange reserve—it will only be possible to make use of whatever scheme we may have for combating a depression, if there is an international coordinated policy to maintain a high level of employment. Here I think the United States can make two large contributions: It can try at home such a policy to maintain employment and it can support a program of international collaboration. I think it is only if these two things are done here that the measures to maintain employment in other countries will succeed and will not cause trade restrictions and a development which would be undesirable from economic and political viewpoints alike.

Epstein in Brooklyn

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Taxes, National Budget and Debt

(By HON. FRED L. CRAWFORD)

(Continued from page 1118)

ernment. You can read it in the committee report.

Cites Civilian Employees

Now from the comparison of paid civil employees in the executive branch of the Federal government in the entire continental U. S. and Washington (and I cite these figures because we know the discussion as to whether or not the budget shall be cut $6 billion or $4½ billion is largely hovering around the hitching post named "National Defense"):

The Navy Department, 325,876 civilian employees as shown by the report of the U. S. Civil Service Commission, December, 1946.

Let me say this: that as I have visited these various areas over the world, I can say to you truthfully that the officials of the Army and Navy are making positively staggering reductions in civilian personnel, to say nothing about the deep mobilization that has occurred in connection with the enlisted men, and every kind of cut is being made that can be imagined.

I have that directly from Generals and Admirals and budget officers of the armed forces. In my opinion, we have demobilized the Army entirely too fast. And I say the Navy, also. But there, again, the Congress and the administration responded to an overwhelming public opinion.

Let's go a step further. We have at the present time, as you gentlemen know, a $259 billion debt. I take that from the Secretary of the Treasury's report of Feb. 3, 1947. I am informed by recognized students who follow this debt very closely and I think are capable of analyzing the maturity dates, that between now and Dec. 31, 1950 the Secretary of the Treasury, and God help him, will have to refund and refinance in excess of $140 billion. And I ask you gentlemen, how many of you are willing to dig into your investments and your savings and buy government issues, original and reissues, and thus help absorb them from the commercial bank portfolios to the end that we may get the debt on a sound basis, out of the commercial banks into the hands of the people and thereby evidence our belief in the program which we seem to approve from time to time. That is an issue with which we shall have to deal.

Financing of the Debt

Now then, in these maturities, of course, you have the 57 and a quarter billion dollars of savings bonds—and this debt must be financed outside the commercial bank portfolios if we are to put it on a sound basis.

One of the best evidences I can give you of that statement, you take this issue, "our national debt and the banks" released today by the Committee on Public Debt Policy, and if you are not familiar with those reports, I suggest you get a copy and read the names of the men back of these reports. I study them as religiously as a preacher would his Bible, because I want to know what men of that type think about this proposition.

Another hitching post is this: You know since the beginning of World War I we have run this debt from about one and a half billion dollars up to some 260 billion; that is, between World War I and World War II, plus what happened in between. In addition to that, you have some idea of the dollars you put into the tax box, while that debt was growing.

The people of this country want to know what we are going to do about the size of the debt, whether or not we are going to permanently arrest the growth of that debt, and how that debt is to be managed so as to preserve some semblance of buying power of the savings of our people in whatever form those savings may be represented tonight.

Let me emphatically say that it is my sincere belief that as to how this present debt is managed, and in no way am I referring to additions to that debt—as to how this present debt is managed will determine the buying power of all the savings of our people, irrespective of what form those savings may be in. As to how that debt is managed will determine the volume of employment, the volume of production, the price levels, the effective wage that is to be paid, and so on down the line.

People Sensing Danger

And the people of this country are beginning to sense the danger which is implied by a Congress that never arrests the growth of the debt. They want to know, the people want to know if we still have any brake linings on this vehicle we call government. For too many years we have been sailing along in level country. Every dollar that has been requested has been handed to all departments of government, including the Army and the Navy, without any question of consequence. The result is: a system of spending, of extravagance has grown up which is, in my opinion, immoral and has no economic sense or any other kind of sense.

And the public generally wants to know if we have the character and integrity and intestinal fortitude to set the brakes and stop this vehicle even for only 60 days. The only way you can determine whether or not those brakes have any linings is to stop, set the brakes and stop, and now is the best opportunity we have had in 15 years to set those brakes. And having set those brakes, then we can proceed with our selling job, and the people of this country with a renewed faith in government as such, in the executive branch of government and in the Congress will go along with us, because they will feel that there is some chance of staying on the road, even if we have to go around a curve. Now, that is the burden of my presentation here tonight.

Let me agree 100% with the Secretary to the effect that we have a job in connection with national defense clear beyond anything our people have yet comprehended. I think the Congress and the administration has done one of the most unsatisfactory and unsafe selling jobs in all history. We have not told the public the truth. We have not shown the public what our responsibilities are, and that selling job is still ahead of us, and I am ready to enter the sales force any minute we can bring an agreement between the White House and the Congress and proceed to do this job.

Debt Service Charge a Vulture

The budget calls for 11 and two-tenth billion dollars under national defense; five billion dollars for the service charge on the debt. That service charge acts as a great vulture sitting up here on a post looking down on the back of our people, taxpaying backs of our people, the largest single unemotional item in the budget. By that I mean to say, national defense and veterans' benefits are emotional questions upon which any man can demagogue if he wishes to do so, and quite successfully. But the interest on the debt is a cold-blooded proposition; you can't escape that. If there is to be any security for these savings to which I have referred, and therein you find the principal reason why most people center their fire against the reduction of the budget, on the one item of national defense.

Now, let's go out and take five or six billion dollars away from these unnecessary agencies of government, liquidate them and get them out of the way for good.

I have supported the six billion dollar cut, and if I get a chance, I will support it when the conference committee comes back. And in that connection, in order to re-establish faith in government and the Congress, I shall support a 20% reduction in income taxes right straight across the board, and then go into my district and sell that proposition to my people. I can sell them anything that is sound—and I know that is sound, so I haven't any fear about that.

Recognized authorities such as Charles F. Roos and associates, and others have made extensive studies, and we have forecast, based on orders now on the books, that the income tax payments this calendar year will approximate 175 to 180 billion dollars, or more. And applying the present tax rates against that income, which we have reason to assume will certainly materialize, in the absence of disastrous strikes, we can afford a 20% cut.

Our Foreign Commitments

We have before us many of these international agreements, such as the Four Freedoms, the Atlantic Charter, the declaration by the United Nations, the United Nations Organization, Lend Lease with its 35 mutual aid agreements, UNRRA, the International Food Collaboration Program, Bretton Woods, the British Loan, International Trade Organization and the Reciprocal Trade Agreements program of our government and the International Credit Bank—we can't carry out those agreements and meet the issue which world conditions now put us up against unless we can first get control of our internal affairs and put our fiscal policy on a sound basis, and we have got to do that.

You can go to any office or area occupied by our forces and confer with our military and civilian administrators, and they will explain in detail to you the responsibilities we have got to carry.

Many public officials and members of Congress are against a material reduction of the Federal budget on the ground that we must maintain a vast organization in size and cost as an insurance policy. There is a lot of truth in that. I think we must now substantially protect the British Empire's life-line, economic and otherwise. We must remain so very strong militarily and otherwise that all countries will acknowledge our supremacy when our spokesmen appear at any official or public conference or privately negotiate. But I have to break with many of our official spokesmen when in addition to what this country offers they insist that they must have the full strength of the budget without any questioning, the Export-Import Bank, the British Loan, the International Credit Bank, and every other thing you can think of which tends to put a tax burden on the people of this country, and all without the people having much to say about it. If you want that kind of power, you have to do a selling job and convince the people that that is necessary, otherwise public opinion is going to revolt, and they will make some changes that may not be so pleasant to us.

People Must Be "Sold"

I think it is necessary for us to keep in mind two distinct propositions: that the present budget of 37 and a half-billion does not carry a concept of our meeting the great world-wide obligations we perhaps must meet; that our people, the taxpaying and bond buying public, have not been sold a proper bill of goods on the 37 and a half-billion budget. If we are to do those very big things, to say nothing about how deficient the overall budget will be, if reduced by either four and a half to six billion dollars. The present budget figure was prepared before Britain had been forced to substantially change her internal and external approach on all matters economic and industrial. These changed plans of Britain will force officials of the United States and other countries to substantially change their ideas. Britain is rapidly discovering that she has insufficient resources and men to scatter over the face of the earth and to solidify her empire, and with all her post-war conditions, England is finding out she cannot effectively back up previous diplomatic moves.

The administrators of Britain's interests are rapidly coming to the conclusion to reduce activities to a scale which Britain can carry. In due course, the negotiators and those who speak for the United States will, likewise, be forced to a program which we can carry, and that has to be kept in mind by the Congress. If the United States is to step in where Britain steps out, we must change our sites with respect to the budget, imports, exports and all of the forces which control same. England's stepping out imposes a greater responsibility upon the United States financially, industrially and with respect to the activities of occupation and the general program of the Army and Navy with respect to matters more strictly applicable to the United States.

We have to recognize that the machinery of the United Nations now contains many bugs which have to be eliminated. This new machine has not yet found its running channel and, therefore, its daily production is below original estimates of its capacity. We shall have to test the UN machinery and discover exactly what it can do. Furthermore, we are still struggling with the initial steps which the International Credit Bank is attempting to take. Certainly that institution is still in its swadling clothes, and instead of getting up and walking boldly, it reaches for chairs and other supports to keep from falling flat on its face.

We Should Raise International Sites

So, I emphasize that if we are to suport international negotiations to the extent of statements made by Secretary of State Marshall and Senator Vandenberg and others, we shall have to consider raising our sites, and I am in favor of raising those sites and selling the bill of goods to the public of the United States.

We are discovering that it costs money to maintain occupying armies, and we may find that our people are rapidly becoming exceedingly tired of carrying such burdens especially if the White House and the State Department and the Congress fails to do a first class selling job. It is my frank and blunt opinion that we are far behind in our truthful and complete presentation to the American people of the obligations which we assume in the several international agreements which we have made.

Also, it is appropriate for us to continue to bear in mind the general attitude of the spokesmen handling our international horse trades, and their attitude that they must have all of these vast resources to which I have already referred.

My approach, therefore, is this: A heavily taxed public by top government officials, military and naval administrators now seriously question the good faith of political leaders in Congress, and the ability of ourselves generally to set the brakes. The public has been so inadequately informed of the specific nature and scope of our obligations that these constant misfirings involving budgets, followed by cuts and more budgets, and then later by deficiency appropriations simply constitutes a form of economic boy-whipping that the tax paying bond buying public does not like.

The time has come for the taking of two very definite steps. One, let the White House, the Congress and all Federal administrators demonstrate to the public that we can and will arrest the growth of the debt through the mechanics of a balanced budget, plus a reasonable sum to apply to the debt. Having gone thus far, then if there is the necessity to make a new world-wide approach, let us frankly put the matter squarely up to the people, give them the truth, let them know how far we must go, and I personally have no doubt whatsoever about what the public will do.

This constant trifling, of which there has been too much, must cease, otherwise harassed citizens will have far too little respect and a diminishing confidence in political parties and government generally. Can you imagine the attitude of a group of stockholders when the board of directors constantly comes before them and says: We underestimated the capital needs and now you have got to put up a little more; or, when the management continually comes to a board of directors and says to them: I have got to have more money because I didn't have the guts to tell you at first what I needed. That is bad stuff. It won't work in government, and it won't work in business.

Now, finally, scientific methods and machines gives us a dazzling promise which at times proves to be inadequate, if not false. Is our spiritual and intellectual pace keeping up with man's progress? As we conquer nature do we build a Frankenstein that will destroy us?

But to what principles are we to rededicate our minds? How can we prevent the misuse of the tremendous power of poison and atom projectile? In industry and world affairs we have a problem of human relations which demands progress perhaps more urgent than greater inventions. Each hour we are, by the progress of science and the new complications, made more conscious of the fact that we must find, and without too much delay, a common ground, where the nations of the earth must meet. Either we do this or our experience will count for nothing, and all our yesterdays will have lighted paths on the way to dusted death.

Internal Harmony Needed

Many have proposed a world government as the answer. Is not that too quick and superficial? What about internal harmony? Whether it be the State of New York, or the United States as a whole, internal harmony is that without which there can be no satisfaction for either individual men or nations.

Our spokesmen have been seeing a workable world order. Progress has perhaps appeared to you as very slow. Here in New York you feel the pulse beat of the whole industrial and financial world; you sense the source of certain tensions, economic and racial. The paralyzing strike of only last year, which so terribly upset production, trade and shipping; the close touch you have with the Palestine issue, which involves racial, economic and religious tension—the three most important. You are sufficiently

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literate to know the thesis of the Russian approach to the other nationals of the countries of the world in their campaign against all capitalistic countries.

You know how we defend our system, how very necessary it is for all men who do a decent day's work to receive a wage determined in justice and equity permitting him to support his dependents in decency and comfort plus, if he lives simply, a reserve for old age.

And, too, do not forget that the man who advances risk capital, who furnishes investment funds, thus providing the tools of production, must also receive a fair return. And the public at large must not be crushed between the deals made by labor and industry.

Racially we shall have to make some progress. There is room for growth in this respect in the United States. Your ethnic origin may be different to mine, but we must work together. Whether you be Catholic or Jew, Gentile or Mohammedan, we are citizens of this great republic, we are co-workers; we cannot be less if we are to survive.

A quotation: "We hold these truths to be self-evident: that all men are created equal; that they are endowed by their Creator with certain inalienable rights; that among them are life, liberty and pursuit of happiness—remember those three—that to secure these rights, governments are instituted among them, deriving their just powers from the consent of the government."

You know where that came from. Our forefathers held these bases of government to be self-evident, beyond dispute. From these three roots, life, liberty and the pursuit of happiness, the Constitution draws its vitality. Our people came here seeking God in these three things, knowing with them all other things would be added. Based upon all this we arrive at a true function named morality or moral code. Without a God to whom man is somehow answerable, there is no meaning to the term right or wrong. Russia now faces that fact. The Nazi Society, the Russian Society, both of which eliminate God, is answerable to no one; thus the dictators assume to be the supreme arbiter of what is right and what is wrong, and then ruthlessly destroy the old and feeble, torture them, convert their bodies into industrial soap and all because, for instance, they did not conform to the Nazi Society.

If society is supreme, upon what grounds did we prevent Hitler, Goering and others being canonized as Germany's national saints?

We have something here in America worth preserving. Only by internal unity can it first be displayed to the world.

(By ROSWELL MAGILL)

(Continued from page 1118)

The Bureau of the Budget and now the Congressional financial committees have the responsibility for investigating particular expenditures. We cannot do that here. We can come to some conclusions, however, as to what the total Federal outlays should be. Such an over-all analysis will be the most fruitful for another reason. The Federal budget is made up of a myriad of items of expenditures, all for agencies that Congress has authorized at one time or another, expressly or impliedly. In making up his Budget, the President assumes that these agencies are to continue, since Congress has once authorized them; and that they must be provided with funds and personnel. At that point, a large element of judgment and discretion enters the equation. How much personnel is needed? How generously should the agency be provided for?

Few Federal agencies are wholly unnecessary or wholly undesirable. Most of them perform some useful service, though they may perform it wastefully. Some can be eliminated, but in more cases, the agency needs to be trimmed down to fit present peace-time conditions. Too many Federal administrators have budgeted on the basis of the free-spending days of the war.

I believe that the one effective way to reduce the budget is for Congress to set a figure for the particular department or agency or bureau; to ask it for a program of expenditure within the assigned total; and to require the department or agency or bureau to adhere to that program. The head of the bureau knows better than anyone else where cuts can be made, or personnel dispensed with. He will do the job if he has to, but only if he has to; for he shares the normal human desire to expand his agency and make it bigger and better.

We need to get over the idea that the Federal Government has plenty of money to do every good thing any of us can think of. What are the facts? The President has proposed budget expenditures for 1948 of $37.5 billions. The revenues produced by present taxes, much the highest we have ever known in peace times, barely balance the proposed expenditures. Since most of the Federal revenues come from the income tax, most of the revenues are the product of rates times taxable income. Now national income is also at the highest level we have ever experienced, twice that in 1929 and more than twice that of 1940. Of course, national income may remain very high; it may even go higher, as some wishful thinkers have already suggested. But since it may also go lower, for example to levels forecast by the Budget Bureau only a year ago, we must consider, if we are to be at all prudent, what will happen then.

The Budget Bureau itself estimated a year ago what Federal revenues would be, if the national income were not $165 billions, the figure used for the revenue estimates in the budget message this year, but $140 billions. On that assumption, the revenues were estimated at $27.5 billions, or $10 billions less than the amount needed to balance the proposed budget expenditures for 1948. Here we have a significant figure. Expenditures at the 1948 level proposed by the President cannot be sustained, unless business activity is very great, above the normal activity we have had in the past. Unless Congress and the people agree that the national income will always remain at the present high levels, and that present rigorous tax rates and exemptions should be retained indefinitely, it follows that proposed Federal expenditures should be reduced now. No other acceptable alternative is available. If the Government is to be able to balance the budget in less good times, many billions must be squeezed out of the budget now. We need to put our fiscal house in good order while the business weather is still fair.

That Federal expenditures have been allowed to reach too high a level can be shown in other ways. Federal personnel totals now well over twice what it did in 1939 and nearly four times what it did in 1932. It is inconceivable that so many employees are really necessary. To be sure, the number is down from the war peak, but it needs to be sharply reduced to peacetime necessities. The Federal service will be the better for the elimination of extra personnel with not enough to do.

In 1922, three years after the peak expenditures of World War I, total Federal expenditures had been reduced, by good fiscal management, to about one-sixth of the peak. Moreover, it is significant that the Federal budget remained at approximately the same level all through the twenties. 1948 is three years after the peak costs of World War II, yet the 1948 budget has been brought down not to one-sixth of the peak war costs, but to four billions more than one-third. If, then, the fiscal history of the twenties should be repeated, we confront a continuation for the next decade of the highest peacetime taxes we have known. Moreover, the budget will only be balanced, if national income remains at the highest level we have known. This is not an inviting prospect. It needs attention and leadership now.

Some will ask whether the budget should be cut or can be cut in this troubled world. Let us review a few of the major budget items. We must meet a $5 billion interest charge each year. We must do our duty by the veterans, and the cost is budgeted at $7.3 billions. We must maintain adequate national defense, and that is estimated to cost $11.5 billions. Then there are all the expenditures for the general government, public works, conservation, international affairs, and so on. How can we economize?

Here I must emphasize my original thesis. Certainly we must pay the interest charge, maintain our defenses and take care of our veterans. But, except for the interest charge, analysis shows that the budgeted figures are *not* the minimum nor even the essential amounts which must be spent for these various purposes. The bureaus and departments can be run efficiently and well on less money. We really can't afford the total the President has proposed. If the bureaus and departments are required to show what they can do with less, they will find that the Federal Government can perform its essential functions well on much less than $37.5 billions. We know it has done so in the past. Congress should bring the figure down in 1948 to as close to $30 billions as it can get; and in a more nearly normal later year, the budget should be trimmed to $20-$25 billions. Even so, the Federal Government will be spending several times what it did in the thirties. If expenditures can be reduced to this extent, regular payments on our huge debt can be made, and taxes can be gradually reduced at the same time.

II.

Expenditure reduction is the necessary first step to tax reduction and debt reduction. If Congress actually does the job of cutting expenditures materially, which the President and the Budget Bureau should have done, what can be done about taxes?

To my mind, the premises we use in planning tax revision are much more important than the taxes themselves. My major premise is that, since we believe in free enterprise, we must do all we can to make it work. Ours is certainly the most important free-enterprise economy left in the world today. I believe that that system of economy is by all odds the best for us; and I believe we can prove it to the world. Indeed, the world is waiting for the proof. Great Britain is working toward a socialistic state. Russia is demonstrating what communism can do. The peoples of those countries and of the other countries are watching us to see whether our system works better, produces more, and gives our citizens more to live for. It behooves us to adopt governmental policies, and particularly fiscal policies, which will give our economy incentives and encouragement and a fair chance to show what it can do.

What makes free enterprise work? Essentially the driving force and the incentives and the competition of business management. We take pride in the fact that we do not have vested interests and privileged classes over here. The boy from the farm or the small town has just as good a chance, perhaps a better chance, to reach the top, as the son of the well-to-do city family. New York City is full of Iowans and Georgians and Texans. That boy gets to the top by being a little more vigorous and intelligent, by producing more goods and by making them better and cheaper than the next fellow. Whatever we can do to preserve or to increase his incentives is all to the good. The managers of American business produce for all of us, whether consumers or laborers or stockholders. Consumers and laborers and stockholders are all interested in promoting good management. As a matter of fact, the first two groups, and particularly labor, have more at stake than the third.

My second premise is, then, that the tax system should be so drawn as to encourage and develop the incentives of American businessmen to work and to produce.

The activities of individuals and particularly the activities of business management are the driving force in our economy. The first item in a tax program, then, should be to begin the removal of the tax brakes on their incentives. All taxes operate as a brake upon business activity. Federal taxes will necessarily be high for the indefinite future, but we can reduce their braking effect by intelligent revision of the tax system.

The first step should be a fair and thorough-going revision of surtax rates. It has been a commonplace for years that no tax system works well in peace times when the government takes more than half of an individual's earnings. A citizen may be willing to pay half of what he earns as the price of civilized society, but when the government takes two-thirds or three-fourths of what he earns, he is apt first to grumble, and then to slow up, and then to stop taking on additional responsibilities. The government's take from his income is then so much larger than his own share that it hardly seems worthwhile to play the game, at least for high stakes. Yet, we stagnate as an industrial nation, unless men are willing to get up early and work late, to risk money in new ventures, to take on new duties.

The surtax rates now reach 50% at $18,000, 68% at $44,000, 77% at $70,000. The mere statement of these rates is the best argument against them. Can we expect to get the maximum productive activity from men whose personal stake in the income from their work is so small? In particular, can we expect the managers of American business, whose incomes fall in this area, to take on new tasks and responsibilities, to undertake new risks, when they can quickly see in advance that the U. S. Treasury will gain much more from their activities than they will gain themselves? The whole force of the steeply progressive rates in the present surtax system is directed in opposition to the vigor and incentive and ambition of the young executive who wants to climb to the top of the ladder. The surtax rates tell him that he doesn't have much to gain by the climb.

If steeply progressive surtax rates contributed greatly to the revenues and the strength of the tax system, there would be some excuse for them today. The fact is that the Treasury gains little from the top surtax rates. The total yield of the surtaxes on all taxable incomes of $50,000 and over at the present level of national income is 8% ($1.3 billions) of the total produced by the individual income tax ($16.5 billions). The total yield of the surtaxes on all taxable incomes of $100,000 and over is 4% ($668,000,000) of total revenues from the individual income tax. Thus, the revenue reasons for such rates are not forceful, and the economic arguments against them are strong. The unspoken argument for them is the argument of the advocates of the planned economy; that the incomes of our citizens should be evened up, by the government's taking the major part of the incomes of our most active and successful men. Great Britain has followed that path, and today is demonstrating some of the results of her choice. Do we want the same thing here? Would nationalization and socialism work better here than the free private enterprise system?

Hence, in my judgment, the interests of our economy and of our revenue system would be best served by the reduction of the top surtax rate to 50%, and the adjustment of the lower rates accordingly. The revenues would be little affected; indeed, they might well improve. Our enterprise system would benefit greatly from this bit of governmental assurance that Congress believes that managers, like other workers, are worthy of their hire.

I shall speak of only two other major factors in our tax system: the place of excise taxes and the double tax on corporate dividends. For the rest, may I refer you to the recent report of the Committee on Post War Tax Policy. Excise and sales taxes are the stable factor in a tax system. People smoke and buy liquor and go to the movies in bad times as well as good. The income tax, on the other hand, falls off badly in periods of recession or depression. The excise taxes have always been a major element of our internal revenues; indeed, prior to World War I, they were our sole reliance. In recent years, the relative importance of these taxes has diminished, and the Federal government has moved in the direction of increasing reliance upon the income tax. In my judgment, the time has come to stop this trend, and to make use of the excises to meet a substantial share of the tremendous expenses we face. In the 1948 budget, excises account for less than 20% of total revenues. As a temporary measure, Congress has acted wisely in retaining the excises we have. In due course, this whole group of taxes should be reviewed, the relatively unproductive nuisance taxes eliminated, and the rate so adjusted that the group as a whole will continue to produce at least what it does now.

Corporate income distributed as dividends is taxed twice, other income is taxed only once. So obvious an inequity should be eliminated, particularly on our premise of preserving and fostering the system of free private enterprise. Reports from Washington indicate that the inequity is fully recognized, but debate goes on as to the best method of curing it. Under these circumstances, the best course of action is to pursue the simplest plan: let the corporation pay its taxes as at present, and give the individual a credit for the portion of such taxes paid on the dividends he receives, up to the amount of income taxes due from him on the dividends. Or a method might be employed similar to that in effect prior to 1936: give the individual a credit for his dividends at the initial rate of normal tax and surtax combined. Since the general corporate rate is 38%, and the initial individual rate (normal tax and surtax combined) is 19%, the second method would not give the individual a full credit for the tax the corporation had paid, but it would be a great improvement on the present situation.

It has been five years since the revenue laws were thoroughly revised; and so another thorough revision is in order. In the interim, there have been several unhappy decisions by the Supreme Court that require correction; and several of the statutory provisions

(Continued on page 1150)

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Taxes, National Budget and Debt

(Continued from page 1149)

apply the thumb-screws too harshly. Nevertheless it is unlikely that this Congress manned by new party leaders will want to undertake revenue revision on a broad scale at this time. On the other hand, a substantial cut in Federal expenditures; the strengthening of the excise tax system; a sensible revision of the surtax rates; the elimination of the double tax on corporate dividends and of some of the other principal inequities, will do much to insure the healthy functioning of our enterprise system, so essential to the welfare of our country and indeed of the world.

The road to a Federal fiscal program that will be good for American business and the American people is not an easy one to follow. It is always easier to spend than to save. Moreover, it is sobering to reflect that year after year, even with prudent budget management, we shall have to meet with taxes expenditures at least three times those of the thirties, and perhaps four or five times. Like all other governmental problems, the fiscal problem demands strong leadership and wise leadership for its solution, backed by an intelligent electorate. I have tried tonight to put you in possession of the basic facts and the major issues. In economics as in law, an understanding of the problem is the first step, and often a long step, toward its solution.

Daniel Breitbart Pres. Of Wall St. Cashiers

Daniel Breitbart was elected President and a director of the Cashiers' Association of Wall Street, Inc., at the annual meeting held at the Hotel New Yorker. Mr. Breitbart is Treasurer and a director of F. Eberstadt & Co., and Treasurer of Chemical Fund, Inc.

Daniel Breitbart

Other officers of the Association are Robert J. Humphrey, Jr., First Vice-President; Godfrey H. Maurer, Second Vice-President; John J. Boyen, Secretary, and George J. DuBois, Treasurer.

Emmet O'Neal Opens Law Offices in Washington, D. C.

LOUISVILLE, KY. — Emmet O'Neal, a partner in the firm of O'Neal, Alden & Co. of Louisville, dealing in municipal and over-the-counter business for 15 years, and later Congressman from this District, has opened a law office in Washington at 801 Bowen Building, 815 15th Street, N. W., Washington 5, D. C.

Mr. O'Neal for the last four years was on the Appropriations Committee and handled the SEC appropriations.

O'Neal, Alden & Co. sponsored the legislation on the Louisville Bridge Bonds and the Kentucky Bridge Bonds which were the first bridge bonds issued in this country having a trust indenture.

Join Thomson & McKinnon

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Benjamin R. Anthony and Robert S. Bower are with Thomson & McKinnon, Shoreland Arcade Building.

An Official Witch Hunt

(Continued from first page)

tigated and compelled to file a statement, and also that the Attorney General may make an independent investigation *in connection with the matter.*

Each of these several hundred questionnaires, we are informed, sets forth that it relates to an inquiry being conducted by the Attorney General in regard to the practices of the addressee.

As to these several hundred firms in the securities business, we refuse to believe there have been complaints simultaneously lodged with the Attorney General, or that he has any reason to believe they simultaneously require investigation of their practices in the public interest.

In our opinion, the failure to specifically state the matter under investigation renders the whole proceeding nugatory.

The mere statement that the inquiry is being conducted under Article 23a of the General Business Law does not cure the clear implication of the statute that some specific matter or matters must be under investigation.

It will be noted from the questionnaire that the recipient is required to lay bare his entire business.

In a series of questions, some with many subdivisions, not only is the recipient required, among other things, to disclose in great detail the manner in which he operates, but he must also forward to the Attorney General all literature used by him in the last year, submit specimens of all types of confirmations and other forms, render a detailed balance sheet of his business and if he holds customers' securities (either on margin, for safekeeping or on partial payment plan) he must furnish a list of the customers, the market value of the securities as of Jan. 31, 1947, and the advances made on behalf of the customer against such securities.

All this, in the absence of any specific designation of the subject matter which is being investigated.

Even during the most rigorous enforcement of the Federal Securities Acts no comparable inquisition ever emanated from the Securities and Exchange Commission.

It has been held that the discretion of the Attorney General to require production of books and papers deemed material to the investigation of securities transactions, must be exercised within bounds circumscribed by reasonable relation to the subject matter under investigation and public purpose to be achieved, and books and papers called for must have some relevance and materiality to matter under investigation.

Just what is the Attorney General of the State of New York investigating? Does he think that he can get away with this witch hunt at a time when the Securities and Exchange Commission and the National Association of Securities Dealers are trying to cement goodwill between the regulatory bodies and dealers and brokers, by opposing over-regulation which has strained the securities industry? Furthermore, hasn't the Attorney General read the November election returns? Doesn't he realize that the people are fed up with bureaucratic invasion of their freedoms?

We feel firmly convinced that the Attorney General, in the guise of law enforcement, may not go on a fishing expedition on such a gigantic scale as he has attempted to do by this "General Questionnaire."

In another part of the questionnaire, the Attorney General informs the recipient that the information is being sought under oath, pursuant to Chapter 649 of the Laws of 1921. That Chapter is 23a of the General Business Law. The statement adds nothing to what was previously said in the same questionnaire.

The non-Exchange member seems to have been singled out for the whipping post. Why?

Who is behind all this?

Treating non-Exchange dealers and brokers as if they were a bunch of thieves, just won't work, even if the inquisitor happens to be the Chief Law Enforcement Officer of the State of New York.

As we see it, it was never the legislative intention, nor does the statute so express it, that Article 23a of the General Business Law of the State of New York, otherwise known as Chapter 649 of the Laws of 1921, be used by the Attorney General, as an inquisitor, to go afield and pillory a segment of the securities dealers and brokers without any specific complaint being lodged against these dealers and brokers and without having reason to believe that fraudulent practices have been indulged in.

With indignation rising over this blow below-the-belt, the Attorney General of the State of New York would do well to withdraw this wholesale General Questionnaire before the foulness of it all compels the industry to band together and publicize this left-handed dealing.

The questionnaire in full follows:

STATE OF NEW YORK
BEFORE THE ATTORNEY GENERAL

IN THE MATTER OF AN INQUIRY conducted by the Attorney General of the State of New York pursuant to Article 23-A of the General Business Law of the State of New York in regard to the practices of

(Name of recipient broker or dealer appears here)

in the sale of securities, etc.

To----------

(Name and address of recipient broker or dealer appears here)

You are hereby directed to file with me on or before the 5th day of March, 1947, at 2 o'clock in the afternoon the information called for in the annexed questionnaire, giving your answers, under oath, thereon, or in separate schedules numbered to correspond with each question and attaching to your return all the documents called for therein.

OR IN LIEU THEREOF you are directed to appear at my office, 80 Centre Street, New York 13, N. Y. on the date above mentioned and bring with you all your books, papers and memoranda relating to the subject matter, and all other documents mentioned in this questionnaire and testify what you know about the above mentioned subject.

Your failure to obey this order is a misdemeanor and punishable by a fine of $500 and one year's imprisonment.

Dated New York City, Feb. 11, 1947.

NATHANIEL L. GOLDSTEIN,
Attorney General, State of New York
By (Signed) M. A. FIRMAN,
Assistant Attorney General.

STATE OF NEW YORK
BUREAU OF SECURITIES
DEPARTMENT OF LAW

IN THE MATTER OF an inquiry conducted by the Attorney General of the State of New York pursuant to Article 23A of the General Business Law of the State of New York in regard to the practices of

General Questionnaire

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in the sale of securities and commodities, etc.

TO NATHANIEL L. GOLDSTEIN, ATTORNEY GENERAL OF THE STATE OF NEW YORK:
80 Centre Street, New York, N. Y.:

The undersigned subject of the above inquiry---------- hereby files with you under oath the following information pursuant to Chapter 649 of the Laws of 1921 and amendments thereto:

(Attached are answers to the questions numbered to correspond thereto and with all exhibits marked for identification in such cases where answers are not furnished on the following questionnaire. The attached are incorporated herein by reference.)

1. Name and address of principal office of the dealer---------- Give a list of the names and addresses of all employees as well as their titles.
2. Location of all branch offices. Attach a list of the names and addresses of the branch manager as well as the names and addresses of all employees and their titles.
3. Describe the type of business you are conducting in your own words----------
   (a) Do you confine your activities to, or specialize in, any group or type of securities?----------
   (b) Do you sell securities on calls, options, selling agreements or underwriting contracts? ---------- If so, list and describe all such deals presently in operation.
   (c) Are you in any way affiliated with any other organization engaged in selling securities as an issuer or as a dealer? ---------- If so, give their names and details of your association with it----------
   (d) Are any of your officers or partners, officers or directors of any other corporation? ---------- If so, name the corporations and their addresses----------
4. Do you hold customers' securities for them either on margin, safekeeping or partial payment plan? ---------- If so, furnish a list of the customers, the market value of their securities as of Jan. 31, 1947 and the advances you have made on behalf of the customer against such securities.
   (a) Furnish name of your banks and the amounts of the loans advanced by them to you against the above customers' securities on above date.
   (b) Do you clear your own securities and if not who clears them for you?----------
   (c) Does your clearance agent advance loans against securities held by them for you? ---------- If so, how much have they advanced on the above date against the above securities?
5. Are you a member of any exchange or of any trade organization? ---------- If so, give their names----------
6. Do you furnish financial advice to your clients?----------
   (a) Is this furnished at the request of the client?----------
   (b) Is it offered by you of your own volition?----------

(c) Is it in written form or is it oral?
(d) What statistical staff do you employ?
What services do you subscribe to?
(e) How are you compensated for this service?

7. Submit specimens of all types of confirmation and order forms used by you.
8. Describe your procedure in quoting prices to clients when they order same
9. Furnish copies of all literature and advertising matter used by you in the past year to acquire new clients and to stimulate business in any way.
10. Supply a Balance Sheet as of a date subsequent to Nov. 30, 1946 signed and attested to as accurate by yourself or certified by a CPA.
11. Furnish a Profit and Loss Statement for the year ended on the date of the above Balance Sheet.

(Corporate Seal, if Incorporated)

Sole Proprietorship

Partnership

BY

Corporation

NOTE: If the subject is a corporation, trust or association this statement must be signed and sworn to by the officers duly authorized to execute papers on behalf thereof.

STATE OF } ss.:
COUNTY OF }

On this day of 19, before me, a Notary Public, personally appeared who, being duly sworn, according to law, does depose and say that, to the best of his knowledge and belief, the statements contained in the foregoing and the statements contained in the attached riders or exhibits, are true and correct and that complete answers have been given to all items contained therein, and that as the of such proprietorship / partnership / corporation is duly authorized to execute papers on its behalf.

Notary Public

My commission expires

"Blue Chip" Stocks Outperform The Averages

(Continued from page 1120)

age; including dividends and price changes for both groups as is noted in Table I.

To put it another way, a $1,000 investment in January 1926 in each of the 19 "Blue Chips" would now have a total market value of $34,042 and cash dividends aggregating $20,736 would have been paid during the 21-year period. On the other hand, the same investment, namely $19,000, placed in the stocks composing the Dow-Jones Industrial Average would now be worth but $21,844, while total dividends during the period would have amounted to $18,041. Thus, including dividends and market appreciation, the "Blue Chips" have shown an aggregate return of $35,778, or 73% in excess of the $20,885 return on the Dow-Jones Index.

Diversity of Performance Between Issues

Contrary to popular realization, there was an extremely wide variation in the market performance of the individual "Blue Chips." The best market performer during this period was Coca-Cola; the worst was Foundation Co.; while the best dividend payer was DuPont as the following table shows:

Issues—	Investment Jan., 1926	Total Dividends Since Jan., 1926	Present Market Value	Combined Net return
Coca-Cola	$1,000	$1,675	$8,500	$9,175
DuPont	1,000	2,764	5,150	6,914
Foundation Co.	1,000	81	54	*865

*Loss.

Hindsight vs. Foresight

It is easy to use hindsight today, and say that any investor who purchased Foundation Co. at $157 a share in 1926 was stupid or ill-advised. But if we roll back the calendar 21 years, we find ourselves in the midst of a building and real estate boom. Foundation Co., the leading builder of substructures, was earning better than $10 a share and paid dividends of $8 a share in both '25 and '26. The unfortunate investor who purchased this stock in 1926 little dreamed that during the ensuing 20 years, 1927-46, **total** dividend payments would amount to but $4.75 a share.

On the other hand, would the investor have had the foresight to pick Coca-Cola if he had to select one "Blue Chip" in 1926? The odds are at least 19-to-1 against his having done so. In fact, as between buying Coca-Cola or Foundation Co., it would have been a fairly close choice at that time. Coca-Cola had a good record of earnings but its sales were still largely in the South and relatively few investors had acquired the "coke" habit. The stock of Coca-Cola and Foundation Co. both enjoyed the same Moody's Stock Rating, namely Ba, and both stocks were selling for about 13 times three-year average earnings. Moreover, the dividend return on Foundation Co., 5.1%, was higher than the 4.5% return offered by Coca-Cola.

Despite the fact that the 19 "Blue Chips" as a group showed a substantially better return than the Dow-Jones Industrial Average, it is interesting to note that nine of the "Blue Chips," nearly one-half, afforded a smaller return. In fact, three of them, namely Foundation Co., Mack Trucks, and Railway Steel Spring (since absorbed by American Locomotive) showed a minus return, i.e., a net loss for the period including dividends paid.

Results Since January 1937

If the investor had bought all the industrial "Blue Chips" selling above $150 a share on Jan. 2, 1937, instead of in 1926, he would have found that, largely as a result of split-ups and stock dividends, only eight issues qualified. Incidentally, the Dow-Jones Industrial Stock Average at that time stood at 178.5, very close to its present level. Once again, as will be noted from Table II, the "Blue Chips" outperformed the Dow-Jones Index—showing an average annual return of 6.2%, as compared with 4% for Dow-Jones. During the past 10 years the star performer has been International Business Machines with an average annual return of 16.2%. The poorest performer, Allied Chemical, showed a return of only 0.9% a year.

"Blue Chips" vs. Stocks Selling Under $5

Any investor who purchased all listed stocks selling under $5 a share at a time of depression, as at the beginning of the long bull markets beginning in 1932 or 1942, would undoubtedly have "cleaned up." Experience has shown that, purchased at the right time, such stocks are far more volatile and advance faster than the general market averages or the "Blue Chips." However, a recent survey by the writer indicates that such issues cannot be purchased in a period of **normal** stock prices with the expectation of better than average results. Quite the contrary is true. In January 1926 there were 25 stocks selling under $5 a share on the New York Stock Exchange. If all of these stocks had been purchased and put away in the box, the hypothetical owner would find today that several of these issues are now worthless, and the net result of his group purchase would have fallen short of the Dow-Jones Industrial Average by a sizable margin.

Conclusions

The wide variation in the average annual return of the individual "Blue Chips" during both the 1926-47 period and the 1937-47 period, drives home the fact that unless an investor is unusually able or lucky, wide diversification is essential. Today, as in 1937, there are only eight industrial stocks selling above $150 a share, namely:

Allied Chemical
American Chicle
Coca-Cola
Dow-Chemical
DuPont
Eastman Kodak
International Business Machines
Vulcan Detinning

If the past record of such stocks can be used as a criterion of future performance, the average investor might consider the advisability of purchasing odd-lots of all of the above-mentioned issues instead of 100-share lots of lower priced equities.

Table I

"BLUE CHIPS" VS. DOW-JONES INDUSTRIAL AVERAGE SINCE JANUARY 1926

	Price Jan., '26	*Price Jan., '26 Adjusted	Price Feb. 21, '47	*Total Dividends Paid Adj.	†% Aver. Annual Return
Dow-Jones Industrial Average	$158.54	$158.54	$182.26	$150.54	5.2%
American Brake Shoe & Foundry	151	37¾	46¼	39.83	6.1
American Can	294½	49	94	79.00	12.0
Chrysler Corp.	208	52	102⅛	76.75	11.6
Coca-Cola	153¾	19¼	163½	32.25	43.7
E. I. DuPont	232	37⅛	191	102.61	32.9
Foundation Co.	157	157	8½	12.75	— 4.1
General Electric	326	20⅜	38⅜	26.23	10.4
International Shoe	170	42½	39¼	43.25	4.4
Kresge (S. S.)	850	56¾	38⅛	25.77	.6
Mack Trucks	153	153	55½	57.75	— 1.3
Nash Motors	464¾	46½	19¼	34.00	.7
National Lead	167	10¼	32½	17.39	18.6
Pullman, Inc.	167½	55½	59⅜	58.00	5.3
Railway Steel Spring	174½	87¼	28⅛	40.00	— 1.0
Sears Roebuck	237	13¼	38	17.08	15.0
United Drug	157	78½	10¾	85.07	1.1
United Fruit	239	30¼	50¼	26.26	7.3
U. S. Cast Iron Pipe & Fdry.	207¾	41¾	43½	38.55	4.6
Woolworth (F. W.)	213¾	57⅛	50½	46.90	3.4
				Aver.	9.0%

*Adjusted for subsequent stock dividends and split-ups.
†Includes cash dividends, proceeds from sale of rights and capital gain or loss.

Table II

"BLUE CHIPS" VS. DOW-JONES INDUSTRIAL AVERAGE SINCE JANUARY 1937

	Price Jan., '37	*Price Jan., '37 Adjusted	Price Feb. 21, '47	*Total Dividends Paid Adj.	†% Aver. Annual Return
Dow-Jones Industrial Average	$178.52	$178.52	$182.26	$67.98	4.0%
Allied Chemical & Dye	225	225	174	71.50	0.9
E. I. DuPont	170	170	191	56.50	4.6
Eastman Kodak	160	160	231	64.25	8.5
Hercules Powder	153	38¼	61	15.41	11.6
Homestake Mining	415	51⅞	40	27.65	3.1
International Business Machines	188	99	217½	41.84	16.2
Johns-Manville	150½	150½	137	36.00	1.5
Owen-Illinois Glass	154	77	75¼	22.25	2.7
				Aver.	6.2%

*Adjusted for subsequent stock dividends and split-ups.
†Includes cash dividends, proceeds from sale of rights and capital gain or loss.

Britain's Counter Claims in Settling Sterling Balances

(Continued from page 1130)

There are, however, indications, that in British political circles the facts of the situation are now beginning to be grasped. There is a certain amount of pressure on the Government on the part of Conservative Members of Parliament that before any definite debt funding agreement is concluded the subject should be debated in the House of Commons. So far the Chancellor of the Exchequer refused to give any undertaking to that effect, but there are indications that the Opposition will work up a popular campaign against the Government on the ground that it intends to commit the taxpayer to the payment of many billions without giving Parliament an opportunity to express its views about the principles on which the British negotiations should proceed.

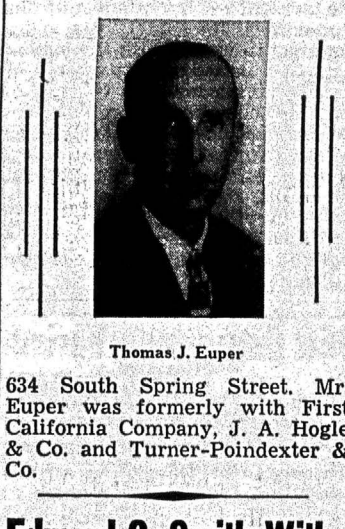
The demand that the Government should firmly refuse to accept the financial burden represented by wartime sterling balances assumed a concrete form in a resolution tabled on Feb. 13th by a group of Conservative Members of Parliament headed by Colonel Crosthwaite-Eyre (who also leads the movement aiming at forcing the Government to have the subject debated by Parilament) couched in the following terms:—"That, in the opinion of this House, His Majesty's Government should, before agreeing to any specific settlement in regard to sterling balances held to the credit of any nation, examine the services that may have been rendered during the course of the war to that nation, and enter counterclaims for such war services rendered, with a view to ensuring that any final settlement reflects a true account of the contribution made by this country and the creditor nation concerned to the victory obtained by the United Nations." In other words, Britain should put forward financial claims for the political or military services rendered by its resistance to Hitlerism, and countries who benefited by that resistance should recognize that claim as being fully as valid as their own claims against Britain for the commercial services rendered to the latter during that period. Mr. Churchill himself indicated, in a brief debate on the subject on Feb. 5th, that this is the direction in which his mind was working already during the war. He mentioned the fact that his Government had indicated its intention to reclaim from India the amounts spent on the defense of that country. The Conservative campaign, which at present is at its initial stages, is likely to press the Government to put forward similar claims against other countries, especially against those which, like Egypt, entered the war at a very late phase, and which, thanks to their prolonged neutrality, were able to accumulate large sterling balances.

Whether this formula will be adopted or not, it is certain that sooner or later the sterling balances will have to be drastically cut down, with or without the creditors' consent. The present acute crisis is but a foretaste of things to come, and the general realization of Britain's inability of carrying this wartime burden of $14,000,000,000 is a mere question of time. Unless it is realized now, further and graver crises will have to come to bring home the truth.

Thomas J. Euper Joins Staff of Cruttenden & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Thomas J. Euper has become associated with Cruttenden & Co.,



Thomas J. Euper

634 South Spring Street. Mr. Euper was formerly with First California Company, J. A. Hogle & Co. and Turner-Poindexter & Co.

Edward C. Smith With Frank Knowlton & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Edward C. Smith has become associated with Frank Knowlton & Co., 465 California Street. Mr. Smith was in the past an officer of Hill Richards & Co.

M. C. Brittain With Bateman, Eichler Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Milton C. Brittain has become associated with Bateman, Eichler 453 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Cruttenden & Co.

Young With Weeden Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Graham T. Young is now with Weeden & Co., 650 South Spring Street.

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Observations

(Continued from page 1121)

rounding the characterization of Mr. Acheson's words, are the real facts as to whether or not the Russian policy has been "aggressive and expanding". Merely a glance at the record will fully indicate this as understatement, and hence perhaps a Russian "guilty conscience". Since 1939 Russia has "expanded" its borders by about 260,000 square miles, containing more than 20 million non-Russian people. From Finland Porkhala and Petsamo were taken; from Poland the vast Eastern territories; from Esthonia 18,000 square miles; 25,000 miles thru a "mutual assistance pact" with Latvia; a strip from Czechoslavakia; and slices from Rumania, Outer Mongolia, the entire Kuriles, and Dairen. Additionally there are the critical occupation policies in Korea, and Moscow's present aggressive moves in Poland, Yugoslavia, Albania, Iran, Bulgaria, Greece, Tripolitania, Eritrea; and the demands for the Dardanelles and even Spitsbergen. The Russian demands—past and present—on Turkey and the Dardanelles have been most persistent, and involve our entire future position in the Middle East. The Kremlin's diplomatic techniques for making such aggressions palatable, is to get on the verbal offensive brashly and unconcernedly. Thus, as a prelude to the imminent negotiations regarding reparations, "Pravda" now castigates Ambassador Pauley, our reparations chief, personally as well as politically; saying that his government career "ended in a big scandal".

Exasperating Soviet Home Policy

Exasperating again to those doggedly working for world peace, is the persistent Russian attitude toward the atomic bomb, in objecting to the amount of gift we shall give her. Now she submits a Plan in the form of "amendments" which are quite impossible, for they would first "outlaw" the bomb without any enforcement provisions, and force the United States to turn over its missiles in advance of any guarantees; would emasculate the entire status and powers of the control commission after the outlawing of the bomb; and would by veto-exercise, forestall all means of punishing violators and permit them to set their own conduct clothed with permission thus legally derived from the United Nations.

The World's Critical Situation

As important as are these Russian maneuverings and the deterioration of the direct Soviet-American status, is the more general decline of the rest of the world's position, both vis-a-vis Russia and otherwise.

Now accentuated by the above-described Russian-Allied intense mutual distrust is the danger arising from the acute weakness of Great Britain and her alarmingly deteriorating political and economic position. For England may be forced to revert to autarchic economic policies antithetical to the line of international cooperation which has been so laboriously built up for the benefit of peace. Moreover, the United States will thereby be forced to intensify its "alliance" attitude toward England in support of the permanent defense of the British Isles against all-comers.

Trouble Within Germany

The economic and political crises within the German nation itself, present an important additional element to nettle the Moscow proceedings. Its monetary system and general economy are going from bad to worse, with the present situation constituting the equivalent of a barter system whereunder the nation's individuals are internally living off each other. And politically, there is added to all the other complicated problems in that sphere, the resurgence of the German nationalist spirit. While reports thereof may have seemed to be exaggerated, evidence of a genuine and permanent "situation" is now definitely revealed by acts of terrorism committed against the Allied military command by the Nazi underground movement. This shows that despite all de-Nazification efforts, it will be extremely difficult to create and preserve a German government along democratic lines; to which real condition the Moscow Conference's decisions will have to conform.

SEC Reports Its Varied and Complex Activities

sidiaries of registered holding companies, exceeded by more than $1 billion similar offerings in 1945. The sale of 83 issues amounting to $1,642,000,000 pursuant to competitive bidding was nearly as large as the combined volume during the four preceding years, and brought the total to $3,486,440,000 comprising 185 issues. The period also was marked by a substantial increase in the sale at competitive bidding of common stock issues, 16 such issues in the aggregate amount of $215,787,000 being sold at competitive bidding during the year. These issues included one $38,115,000 and one $51,368,000 single offering.

The report also noted that during 1946 public utility bond issues were sold on the lowest interest cost basis since passage of the Holding Company Act, the lowest being at an interest cost of 2.427%. Preferred stocks also were sold on a very low cost basis, in some instances approaching 3.30%.

Stock Exchange Trading

The Commission reports that trading on securities exchanges, aggregated a value of $20,377,690,000 in 1946, as compared with $15,160,875,000 in the preceding year. Stock trading alone accounted for $18,934,952,000 of the 1946 total. There were listed on registered national exchanges at the end of 1946, 3,585 security issues of 2,188 companies.

Unregulated Securities

In the report, the SEC again renewed its recommendation submitted to Congress on June 19, of last year, which would extend the powers the Commission now has over corporations which have securities listed on registered exchanges to larger corporations whose shares and bonds are not so listed. As a result of this recommendation, Rep. Lea, Chairman of the House Committee on Interstate and Foreign Commerce introduced a bill (H. R. 7151) embodying the Commissions recommendations, but no action was taken on it by Congress. If the Commissions recommendations are passed into law, it would require of practically all large corporations the same requirements for disclosure of financial and other information, regulations of proxies and similar restrictions now placed on corporations and their directors of companies having listed securities outstanding.

The Tax Picture at Washington

(Continued from page 1128)

dividuals. We are as a matter of fact in the process of developing what is to be the post-war system of federal taxation. Contrary to many people's expectations the shift to the permanent post-war tax system is not going to be made by means of a single large tax bill. Instead we appear to be getting a series of bills dealing with a variety of subjects and spread over a period of years.

Tax Changes in 1945

As I indicated, this development began in 1945. The first of the two major pieces of tax legislation enacted by Congress in that year, the Tax Adjustment Act, consisted of a series of technical amendments designed to assist in financing the immediate post-war transition. That legislation appears to have served its purpose very well. The second tax bill of 1945 is of greater significance from a long-run point of view since it is in fact the first step in the construction of the permanent post-war tax system. This bill gave a large measure of relief to the business community. The wartime excess profits tax was repealed as of Jan. 1, 1946, although the carry-back of unused excess profits credits was allowed to continue for an additional year. The levies upon declared value capital stock and excess profits were repealed, thus eliminating a set of taxes which had long been a major source of irritation to the business community. The rate of taxation applied to corporations having net incomes of over $50,000 was reduced from 40% to 38%, and somewhat larger reductions were made for corporations having incomes of smaller size. These measures, which were of primary benefit to the business community, were estimated at the time to involve a revenue loss of $3.1 billion a year when in full operation, which represented a cut of about one-third in estimated collections from these taxes.

The legislation of 1945 did not neglect the individual income taxpayer. The exemption used under the normal tax was brought in line with that allowed for surtax purposes; the surtax rate was reduced three percentage points in each bracket; and the combined normal and surtax were reduced by an additional 5% of the amount of the tax. These measures were estimated to involve a revenue loss of $2.6 billion when in full operation, representing a cut of about 20% in current collections from the taxes on individual incomes.

Since the business community of the nation was the major beneficiary of both the Tax Adjustment Act of 1945 and the so-called Tax Bill of that year, it is not surprising that the measures now being dealt with actively in Congress are concerned primarily with other forms of taxation. As you know, Congress has before it two major pieces of tax legislation. One of these, H.R. 1030, concerns the excise system, the other, H.R. 1, deals with the rates used under the individual income tax.

Excise Taxes

The excise bill was necessitated by the fact that certain rates imposed in 1943 were subject to automatic repeal six months after the termination of hostilities. When the President proclaimed the termination of hostilities on Dec. 31, 1946, these so-called war tax rates were automatically scheduled for repeal on July 1, 1947. The results of the President's action were immediate and disturbing. In some cases, particularly with respect to the taxes on the retail sales of furs and jewelry, the announcement of the fact that the rates would be cut on July 1 was reported to have had a violently depressing effect upon the current market for these commodities. The industries affected made it clear that they were worse off under the announced prospective rate reduction than they would have been if these tax rates had not been singled out for special treatment. It also became evident that the tax reduction involved in the automatic repeal of these wartime rates might not be the best one possible. The expansion in the excise system which took place during the period of the war was enormous by previous standards. Collections from excises rose from $1.7 billion in 1939 to $6.7 billion in 1946. Old taxes were subjected to rates of unprecedented size and many new levies were introduced. Now numerous complaints are being made that certain items in the excise list are oppressive from the point of view of the consumers of the country, that other items are curtailing unduly the profits of particular lines of business, and that still others are objectionable on the ground that they interfere materially with the free flow of commerce and industry. It is quite evident that if a substantial reduction is to be made in the excise system, the latter ought to be studied thoroughly. To make possible an overall study of this nature, and to relieve the industries affected by the projected automatic rate reduction from the immediate pressure upon their markets, H.R. 1030 was introduced extending the so-called war tax rates of 1943 for an indefinite period. This bill places these rates on the same level as other excises for the purposes of the post-war rate adjustment. Excise taxes should have further consideration in the 80th Congress.

H.R. 1030 has been passed by the House and with some minor amendments by the Senate.

The 20% Cut Proposal

The second major piece of tax legislation now before Congress is H.R. 1, upon which executive hearings will begin shortly. This as you know, is a bill providing relief for the individual income taxpayer. It calls for a 20% reduction in the amount of the tax due on incomes up to about $302,000, and a reduction of 10% on income in excess of that amount. This bill is based upon the fundamentally sound position that relief under the individual income tax is essential at the present time. This tax is most obvious in its impact upon the taxpayers. It was increased very substantially during the war, and a schedule of rates is now being used which would have been regarded as fantastic in the prewar period. As I have already indicated, the individual income taxpayer received a comparatively small share of the relief granted under the tax legislation of 1945, and consequently has a right to feel that if relief is to be given now he can expect the principal share.

H.R. 1 is also based upon a position with respect to the economic future of the nation which is also fundamentally sound. We are all concerned with the maintenance of a healthy economy and with the continuance of our present degree of business prosperity. We are all more or less concerned over the predictions which we hear on all sides concerning the prospect of a business recession. The degree of pessimism expressed in these predictions varies substantially, as do also the guesses concerning the exact time when the turn in business is supposed to come. However, the consensus of opinion seems to be that something in the nature of a downturn can be expected during the course of the present calendar year. In view of this situation, it seems proper to follow a tax policy which will both stimulate business and tend to preserve the existing level of consumer spending. This policy requires relief to all levels of individual income. Relief to people in the relatively higher brackets can easily be justified by a mere reference to the rate schedule which is now in use. The rates applied in the upper brackets are so high that their repressive effect upon the income recipient's willingness to engage in relatively speculative business ventures is all too clear. Yet the maintenance of a prosperous economy depends heavily upon the ability of the business community to finance new ventures of a relatively speculative character. Hence a reduction in the obstacles which the existing rates place in the way of such measures seems highly desirable from the point of view of the community as a whole.

On the other hand, we all know that continued prosperity requires the maintenance of high levels of consumer expenditure. If the reduction of the rates applied in the lower brackets is conducive of this result (and there can be little doubt but that it would be) such reduction also is desirable from the point of view of the community as a whole. For these reasons, gentlemen, I believe that the philosophy basic to H.R. 1 is fundamentally sound.

Business Taxes

While Congress is now concerned primarily with the excises and the individual income taxes, it must not be inferred that the existing taxes on business can be taken to represent the permanent post-war system. I sincerely hope that the legislation now before Congress will not be the end of the downward adjustment in our federal tax system. I expect confidently that the reduction in expenditures now taking place will be carried further in the years to come, and that additional tax reductions will be come possible. In that event, the corporation rates will, of course, receive the same consideration that is given to other phases of the tax system. Moreover, I am well aware of the fact that there are many features of the taxes now imposed on business which are the cause of considerable annoyance and expense to the business community, and which might be remedied without affecting materially the yield of the existing tax system. I should like to list for you some of the points about which a good deal of complaint has arisen, and solicit your opinions concerning the merits of the complaint, as well as any suggestions which you might care to make concerning the improvement of the existing law.

There has been a good deal of discussion concerning section 102 of the Internal Revenue Code which imposes a special surtax upon corporations improperly accumulating surplus. A device of this sort has long been a part of our income tax system, and now represents the chief safeguard against the avoidance of the surtax rates imposed on the higher brackets of individual net income by the device of failing to distribute current corporate earnings. The objection which this particular remedy to the undistributed profits problem has always encountered is the difficulty of determining in a particular case whether a failure to distribute a given percentage of current earnings does or does not constitute a tax avoidance operation. The Bureau of Internal Revenue has long used a rule-of-thumb approach to this basic question, singling out all of those corporations failing to distribute at least a given percentage of their current earnings for special investigation. Recently this rule of thumb has received a good deal of publicity giving rise to the impression that the Bureau was about

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to engage in a more vigorous enforcement of section 102. Subsequently the Bureau pointed out that the rule of thumb in question was not a new device, but one which had been in use for some time. The problem remains, however, that the particular approach to the undistributed profits problem found in section 102 may not be really satisfactory either from the point of view of the taxpayer, or the government. The element of judgment involved is, as I pointed out, very great. If vigorous enforcement is attempted, this particular section of the Code might well result in a volume of controversy that is out of proportion to the results obtained.

"Carry-Over" Provisions

Another aspect of the corporate income tax which has been receiving a great deal of attention is the provision covering the carry-forward and carry-back of net operating losses. These carry-overs constitute an averaging device tending to equalize the treatment received by corporations with fluctuating income and those whose incomes are received in relatively constant amounts. Averaging of this type reduces the discrimination against relatively speculative business investment and for this reason a great deal can be said in its favor. The chief issue in recent debate has not been the continuance of a carry-over of this sort, but rather the desirability of shifting from a device which is partly a carry-back and partly a carry-forward, to one in which losses can be carried forward only. This change has been advocated on the grounds that it would give more substantial benefits to new and hence small business than does the existing rule. The suggestion has been made also that the period of averaging should be longer than five years. A seven-year period has been suggested. Frequent criticism has also been made of the definition now used of a net loss for the purpose of the carry-over. The revision of this particular feature of the corporate income tax involves substantial administrative problems upon which, I am sure, many of you could express valuable opinions.

Depreciation Allowances

Much is being said currently concerning the rules governing depreciation for the purposes of the corporate income tax. As you know, the Bureau of Internal Revenue has voiced its own opinions as to the proper rate of depreciation to be applied to various types of assets in its famous "Bulletin F." Naturally the Bureau tends to require the use of the rates to which it has given its blessing unless a substantial case can be made for some other basis. The suggestion has been advanced that taxpayers be privileged to write off the costs of a capital asset over substantially shorter periods of time than those set out in the aforementioned Bulletin. This proposal has received widespread support among economists who feel that the privilege of a rapid writing off of capital assets will stimulate investment and expedite the process of replacing old and obsolete with new and more efficient equipment. The case made for so-called accelerated depreciation is a very plausible one. Yet the proposed change involves the basic tenets of the accounting profession. This again is a proposal for the appraisal of which you as a group have peculiar competence.

Agriculture has a problem that is akin to the question of the depreciation of business assets. As a representative of a great agricultural district in America, I am of the opinion that adequate deductions should be given taxpayers who spend their money for the longtime improvement of the soil. Wars have been fought over the desire of nations to possess rich, fertile, and productive land. It certainly is in the public interest for the government of the United States to encourage land leveling, terracing, erosion prevention, and other soil practices, so that we will hand on to oncoming generations a rich and productive earth. In fairness to the individual taxpayer, expenditures of this sort should lessen his tax burden. This problem is inadequately dealt with in existing law and is one that merits the attention of the Congress.

Progressive Corporate Rates

The use of progressive rates under the tax on corporate net income has long been a much debated feature of the law. The argument is made frequently that progression has no place in a business tax. On the other hand, there have been proposals in recent months to increase the degree of progression and to carry the latter up to much higher levels. Advocates of tax relief for small business frequently recommend a new schedule of reduced taxes for all corporations with incomes of $100,000 or less.

While the merits of the contending parties in this controversy are not easy to appraise, it is quite evident that so long as we use progressive rates in connection with the corporation income tax, we shall probably have with us the very troublesome problem of the "notch." As you know, under existing law the average rate of taxation rises slowly from a combined normal and surtax rate of 21% on corporate net incomes of $5,000 or less, to the standard rate of 38% on a corporation with a net income of $50,000. However, the law has been written in terms of marginal rates, that is the rates applied to additional dollars of income, and these of course rise much more rapidly than the average. The consequence is that as the corporate income rises about $25,000, the additional amounts received are subject to a rate of 53%, while additional earnings which exceed $50,000 fall under a marginal rate of only 38%. The relation between these two rates has caused a great deal of unfavorable comment. Advocates of the existing law point out that the 53% rate is essential to a smooth transition in the average rate applicable at an income of $25,000 to the rate applied to corporations with incomes of $50,000 or more. Yet the fact remains that the relatively high marginal rate applying to incomes between $25,000 and $50,000 is a continuing problem. There is a belief among some businessmen that this notch provision tends to discriminate against the small corporation. Here is a matter, gentlemen, upon which your suggestions would be most appreciated.

Fortunately the repeal of the excess profits tax has relieved the business community of a host of administrative problems. There are, however, one or two issues which are still with us in spite of the repeal of the tax. One of these is the question of refunds under the general relief clause, the famous section 722. As you are well aware, the delays and controversies arising over the interpretation and application of this section became so serious that the Joint Committee on Internal Revenue Taxation was moved to hold public hearings in February and May of 1946. At the close of these hearings the Commissioner of Internal Revenue announced his plan to establish what is now known as the Excess Profits Tax Council for the purpose of hearing these claims and recommending to the Commissioner appropriate settlements in the contested cases. This Council has been in operation for some time and has issued a series of administrative rulings tending to clarify some of the previously contested issues. Whether or not the Council will, as a matter of fact, produce prompt and equitable settlements in the difficult cases which come before it remains to be seen. Much will depend, I believe, upon the willingness of the Bureau to permit the Council to arrive at negotiated settlements without interference from other units in the Bureau and in the Treasury itself.

The application of the excess profits tax in an agricultural state brought forth some serious problems. For many corporations operating in such states it was not practical or possible to use the original capital investment as a base and the taxpayer was compelled to use the 1936 to 1939 average income. This was the period of drought, dust storms, and total crop failure in the great plains state from whence I come. Hence many corporations whose businesses were directly tied to agriculture found that their average earnings for the years 1936 to 1939 were far below their average for the last quarter of a century. For this reason, the relief which Section 722 provides is peculiarly important. Prior to the establishment of the Excess Profits Tax Council, the Bureau of Internal Revenue was inclined to interpret claims for relief based upon the drought very severely. The repercussions of this policy were quite evident at the hearings which the Joint Committee on Internal Revenue Taxation held in the spring of 1946. It was clear that the drought cases in particular needed the benefit of the sympathetic negotiation which the new Council was expected to bring to its task. It is my hope that the Council will give these cases the attention they deserve and be permitted a free hand in so doing.

The other question which remains with us as a hangover from the excess profits tax is, of course, the problem of deferred maintenance. In part at least the carry-back of the unused excess profits tax credit was put into the law in order to provide relief for corporations which had to make substantial outlays in order to reconvert from wartime to peacetime operations. This carry-back was allowed for the year 1946 even though the excess profits tax itself was repealed as of the end of the previous calendar year. There are, however, certain industries which allege that they have not been able to obtain adequate relief by this method because their reconversion expenditures could not be made in the year 1946. The reason given for this failure is the shortage of labor and materials during 1946. These claims are exceedingly difficult to evaluate and your expert opinion would be exceedingly helpful.

Interest Rates On Back Taxes

There is a continuous flow of complaint concerning the interest rates used by the Federal Government in connection with the back taxes and refunds. These rates are far out of line with those which now prevail in the open market. Since it does not seem likely that the latter will rise substantially within the next few years, I find myself receptive to the suggestion that the rates used in the existing law be brought into a more reasonable relationship with those which now prevail in the open market.

Basic Problem

Behind all these specific and troublesome issues lies what is really the basic problem—how heavy a tax burden can the people bear. It was early in the history of our Republic that the doctrine was set forth that the power to tax is the power to destroy. Not only can an existing enterprise be destroyed by taxation, but taxation is a pernicious force that destroys the idea and hope of enterprise before it begins to materialize. There is no question but that the tax rates that must be imposed for many years will be much higher than in the pre-war days. That is no excuse for failing to put forth every effort to make them just as low as possible, because taxes destroy.

Of equal importance with the efforts to strive for the lowest possible rate of tax is the necessity that our tax laws be both written and administered in a manner that will promote the maximum amount of business enterprise. The principle that what an individual can earn and save is his, plus the belief that it is desirable to go into business on one's own, is a great enemy of unemployment. If it is profitable to start a business, the man who is now an employee, makes room for another man seeking a job, when he quits working for others to start his own enterprise. If that enterprise succeeds, he will give employment to others. A tax system that shackles the venturesome person is the sure road to unemployment and economic disaster.

I dislike high taxes, not because they are a burden on the individual who is already rich, but I oppose them because they prevent the poor from becoming rich. The individual who dreamed his dreams and launched out upon some great venture that succeeded in the days of low taxes has already made his mark. He has accumulated his capital. He may have become a captain of industry. The test of a system of taxation is not its effect upon him who has already attained, but its effect upon the young man who is starting out.

The collection of taxes from our economic body can be likened unto the taking of blood from the human body. It is both desirable and necessary that the patient live to give blood another day.

The Treasury of the United States loses whenever a tax takes too much and too often from channels of business. The Treasury gains when business is virile, forward looking, and venturesome. The danger of economic anemia is always present.

CIO Signs Up First Wall Street Firm

(Continued from page 1121)

between our union . . . and A. M. Kidder & Co." and stating further that:

"You also know that our contracts with the Exchanges permit cancellation by the Union in the event of an unarbitrated bargaining dispute with any member firm.

"Prior to cancellation of the Exchange contracts and the strike action which may subsequently follow, this union is prepared to go on record in favor of voluntary industry-wide arbitration as a means of effecting a peaceable settlement of this and all future disputes.

"We encourage you to join with us in the selection of a permanant impartial arbitrator whose integrity and whose knowledge of business practice will insure a fair and well-judged hearing to both sides.

"Should this union be forced at any time to take direct action against any member firm by its cancellation of the Exchanges' contracts, it must be understood that all offers and commitments contained in this letter will be automatically withdrawn.

"It is in the interest of each individual employer to embrace this offer of peace and to urge its acceptance by the Association. We trust that the officers of the Association will make a reply to this recommendation by Monday, March 3, 1947."

Three With Harris, Upham

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—William W. Hogben, James B. Hubbard, and Clyde W. Masheter have become connected with Harris, Upham & Co., 912 Baltimore Avenue.

Nominations Asked For NYSE Election

An open meeting of the Nominating Committee of the New York Stock Exchange will be held on Wednesday, March 5, 1947, for the purpose of receiving suggestions for the positions to be filled at the annual election to be held on May 12, 1947.

All members and their partners are invited to attend this meeting to suggest nominees. Those unable to attend may suggest nominees by letter. For the convenience of any members or partners who may wish to appear individually, the Nominating Committee will hold a meeting on Wednesday, March 12, 1947, and every Wednesday thereafter up to and including Wednesday, April 9, 1947. Appointments may be arranged by communicating with John C. Korn, Acting Secretary of the Exchange.

Vacancies will occur in and nominations are to be made for the following positions:

Board of Governors *(For the Term of One Year)*: A Chairman of the Board of Governors who shall be a member of the Exchange. *For the Term of Three Years:* Four Governors who shall be members of the Exchange residing and having their principal places of business within the Metropolitan area of the City of New York. One Governor who shall be an allied member or non-member residing and having his principal place of business within the Metropolitan area of the City of New York, who shall be a general or limited partner in a member firm engaged in a business involving direct contact with the public. Two Governors who shall be members, allied members or non-members residing and having their principal places of business outside of the Metropolitan area of the City of New York, who shall be general or limited partners in member firms engaged in a business involving direct contact with the public.

Trustees of the Gratuity Fund *(For the Term of Three Years)*: Two Trustees who are members of the Exchange.

Nominating Committee *(For the Term of One Year)*: Five members of the Nominating Committee, three of whom shall be members and two of whom shall be allied members of the Exchange.

No Governor and no member of the present Nominating Committee is eligible for election to the Nominating Committee for 1948.

Members of the Nominating Committee for 1947 are: William B. Bohen, Chairman, Baker, Weeks & Harden; Benjamin H. Brinton, Secretary, Brinton & Co.; A. Glen Acheson, Lazard Freres & Co.; William Bayne, F. S. Moseley & Co.; Frank J. C. Weinberg, Newborg & Co.

John A. Coleman, Adler, Coleman & Co., has notified the Nominating Committee for 1947 that he does not wish to serve another term as Chairman of the Board of Governors of the New York Stock Exchange. His action in eliminating himself from consideration was expressed personally to the Committee and also in the following letter:

> This is to advise the Nominating Committee that, in the event my name should be presented for consideration in connection with the Chairmanship, I do not wish to be a candidate to succeed myself.

Mr. Coleman will have completed his fourth one-year term as Chairman in May. Prior to becoming Chairman, he was, for five years, a Governor of the Exchange. He has been a member since 1924.

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Contribution of Full Employment to Stability

(Continued from page 1122)

ment on the other five continents.

To repeat the central question, what is the connection between maintaining full employment in America — with full employment as a good index of general prosperity — and the preservation of an outlook for us which is securely and honorably pacific?

I am not going to burden you with a regatta of facts and figures. Some figures, indeed, are important. But what we need most of all in these still parlous times is a set of firm principles to give us our bearing in a world situation which is yet hazy and confused.

My first point, therefore, will not deal with facts at all but rather with an imponderable — a consideration of values.

A great British statesman, during the Napoleonic era, made the following statement: "England has saved herself by her exertions. She may yet save Europe by her example."

U. S. Responsibility

Today, it rests with America to provide the example of the successful functioning of democracy —an example which above all else can convince people in other countries that whatever remnant of democracy they now possess should be preserved, defended, and extended. As one of those who believes that stabilization is of little value unless that which is stabilized is worth maintaining, I want to see the world stabilized on a basis which maintains democracy as the greatest political and moral force in the world.

In all those places where democracy is now on trial or subject to tribulations many watchful eyes are turned toward the most powerful nation in the world—toward the nation which, as a democracy is a Republic, now has had the longest history of government without fundamental change, under the Constitution of the United States.

These people in other lands, whose eyes are fixed upon us, will judge our American system in terms of their own vital problems. If we should have widespread unemployment, we could not impress them by telling them that we still have the Bill of Rights. If we should have widespread business collapse and falling production, we could not impress them by telling them that we still have free speech. If we should have widespread social discontent and friction, such as depression would surely engender, we could not impress them by telling them that we hold free elections. Our example of free institutions can stimulate and inspire the forces for freedom in other parts of the world only if it demonstrates a happy combination of political freedom and economic well-being The paradox of want in a land of limitless plenty, of goods rotting away or being destroyed because they cannot be sold while families are in need, would be incomprehensible to those who would watch us from a distance with objective eyes.

This is the main reason why I believe that the avoidance of depression in America is necessary to the preservation and extension of free institutions in other parts of the world; and since I believe that freedom is as important as peace, and that peace cannot be maintained enduringly without freedom, it follows that American prosperity is a cornerstone of the edifice of world peace.

I now come to a second reason why full employment and continuous prosperity in America are essential to permanent peace — and this reason rests on more specifically economic grounds.

The other nations of the world —with rare exceptions—are tremendously dependent upon a large supply of goods exported from the United States. In the short run, not only do they need these goods to get them back on their feet economically, but also in many instances they need these goods literally to keep the breath within their bodies. American goods are required to save them from famine and pestilence.

World Trade Essential

In the longer run, many of these countries need American goods because they cannot hope for economic self-sufficiency. World trade is their only way of living. In some countries, such as England, this is true because they are so small and so highly industrialized that they must import raw materials and export finished products to maintain their standards of living. In other countries, such as China, this is true for the opposite reason. They are so huge and so lacking in industrial equipment that they must import finished products to lift themselves out of the misery in which they have been plunged for centuries.

With us in America, world trade adds to our enjoyment of luxuries, and also provides us with some materials for which it would be hard or costly to produce substitutes at home, but, for every one person in America, there are five to ten people in other lands to whom world trade means the difference between decent living and bare survival or extinction. And since nations would rather fight than decline or starve or perish, healthy world trade is an alternative to war.

As a nation now accounting for more than half of the industrial production of the world, we, more than any other single country hold in our hands the key to this life-giving and peace-promoting world trade.

This does not mean that we alone can provide the goods which other countries need. But it does mean that the total international exchange of goods cannot flow smoothly nor sufficiently unless we participate intelligently therein.

Now, how does all this tie in with full employment, production and prosperity in America? It ties in because, without these conditions in America, there would be no likelihood that we would be able or willing to export the volume of goods which other countries so urgently need from us. It is of the nature of the American economy, with its broad and diversified needs, that we consume most of our production at home. Even in times of utmost prosperity in the past, our foreign trade constructed only 9 to 11% of our total activity. Recently, the receipts from our sales of goods and services abroad have been running at an annual rate of about $15 billions, while our gross national product has been running at an annual rate of about $205 billions. In terms of the size of our economy or of world needs, our exports have not been large.

In the event of a domestic depression which could cut our total production by 5 to 50% if it approached the magnitude of depressions in the past, our exports would languish correspondingly. Thus, American prosperity is essential even for that minimum volume of world trade which is indispensable for the revival or economic progress of other countries. Without this injection of American goods into their economic life-stream, other nations would be faced continuously with privations and hardships so sharp and so severe as to drive them toward those types of changes in their institutions, and toward those brands of irresponsible leadership, which move the world on the path to dictatorship and war.

Causes of U. S. Depressions

These could be the negative effect of depression and unemployment in America—through the shutting off of necessary goods flowing to other countries. But another consequence, on the affirmation side, could be even more dangerous. Unemployment in America, broadly speaking, is not the product of lack of industrial machinery or skills or organization as, for example, in India. Unemployment in America results in the main from a recurrent phenomenon in our economy—from the fact that our production has tended to exceed the absorptive capacity of our home markets to buy the full supply of goods at current prices. In the past, when this tendency has commenced to appear, we have endeavored to dispose of our surplus of goods abroad. This, of course, would not have been hurtful to other countries if we had been willing to accept an equivalent volume of goods in exchange. But the very conditions of unemployment at home which made us want to dump goods abroad, made us correspondingly fearful of allowing the entry of goods into this country.

The consequence of this one-way flow of goods was that it contributed to the demoralization of the economies of other countries. In effect, we were trying to export unemployment. And because in the long run no country can do this without eventually facing the music, we ended up with a depression at home more serious and enduring than the depression in any of the other countries which were the targets of our misguided trade policies.

The lesson of this experience is two-fold. In the first place, no nation such as America can evolve successful or workable trade policies as a by-product of unemployment at home. And second, no nation such as America can solve unemployment or so-called overproduction at home by attempting to send these troublesome problems across the oceans.

In a nation such as ours, in the long run, our total domestic consumption, supported by domestic purchasing power, must be large enough to absorb a volume of production as great as our total domestic production. If we send part of our products abroad, we must expect to have an equivalent volume of goods sent to us. This is because, in a true economic sense, the consequence of our foreign trade when wisely conducted is to increase the efficiency of our own economy by obtaining from abroad those goods which it is less economical to produce at home. The fact that we have become the world's greatest creditor nation and the greatest exporter of capital is another reason why in the long run, we must import at least as much goods as we export.

Because our domestic consumption must balance our domestic production, foreign trade is not a main avenue through which we can maintain continuous high levels of domestic employment, production and prosperity. If we rely excessively upon foreign trade for that purpose, we will not retain prosperity at home and we will contribute to the wreckage of the world economy. For the United States, foreign trade must be the by-product of, rather than the mainspring for, a sound domestic economy. It must be [illegible] in and grow out of a sound domestic economy. If we start [illegible] economic policies at home, directed toward full employment at home, we can proceed to sound foreign trade which will improve our relations with the rest of the world, enrich our own enjoyments, help to stabilize the world economy, and reduce the causes of discontent and war. But we cannot start with a foreign trade policy and work backward from that to a healthy domestic economy. That would be trying to swing the dog by the tail.

Approaches to Full Employment

Now, what are the main approaches to full employment and continuous prosperity in America? What is the size of the problem? And what can we do about it?

We have emerged from the war with increases in the size and capacity of our economy which exceed any flights of imagination 10 years ago.

We had a national income of $164 billions a year in 1946, contrasted with $70.8 billions in 1939 and $83.3 billions in the peak prosperity year 1929. Even after allowing for the changes in the price level, we are now producing about 50% more per capita than we ever did before the war.

We have now almost 58 million people employed, exclusive of the armed forces, contrasted with 45 million in 1939 and 46 million in 1929.

We have made gains in technology and invention during the war, the effects of which are not yet fully revealed, and we may be on the threshold of the utilization of new types of power which will create a vertible Twentieth Century industrial revolution.

Well within the life span of those in this audience, we may achieve the capacity to produce twice as much per capita as we were able to produce in the last years before the war.

But none of these gains remove —on the contrary they accentuate —the problem of maintaining full employment and prosperity. For the more we increase our capacity to produce, the more realistically we must face up to the problem of distribution—the problem of balancing productive capacity on the one side with a market for the products on the other. We want to avoid a seller's market with inflation, or a buyer's market with deflation. We want to stimulate and sustain maximum employment and maximum production through an adequate supply of purchasing power, so distributed throughout the economy that demand and supply are kept in balance at the highest feasible levels.

There is more agreement than is commonly supposed among economists and businessmen as to the core requirements for maintaining maximum production, maximum employment, and maximum purchasing power. Risking the danger of over-simplification, I would say that this core requirement is to maintain equilibrium in the flow of income between those who use it or want to use it for additional production in order to earn still more income, and those who use it or want to use it as consumers for the satisfaction of the wants and niceties of life. The quantitative factors in this equilibrium, and the means of obtaining it, are not matters of agreement. But there is more general agreement that the job has not been done well enough in the past and that it must be done more satisfactorily in the future for the success and progress of our society.

This brings us to the point that the main concern of economic policy has to do with the quantity, timing and distribution of the flow of income. Now, what part does the government play in this process—and what part should it play?

In order to avoid controversy, let us undertake only a description of the *minimum* areas in which government policy and operations vitally affect the national economy. With this minimum description, I think few will disagree.

First, the tax programs of the government withdraw income both from potential production and from potential consumption; and, also, the regulatory as distinguished from the purely revenue aspects of taxation affect the whole economy.

Monetary and Debt Management

Second, the management of the national debt—even in the limited sense of the speed or slowness with which it is reduced or enlarged—directly affects the flow of income into the hands of those who will use it for immediate consumption and for the productive process. With a national debt anywhere around $250 billions, the effect of this operating in its psychological as well as its fiscal aspects is stupendous.

Third, the policies of the govern relating to money and banking and to the flow of credit are to be taken into account. This includes not only the fact that the creation of money stems in one way or another from public decisions, but also the fact that in many fields the government is directly engaged in large-scale lending operations or indirect insurance operations designed to promote private lending. These operations all affect not only the availability of credit but also the cost of credit reflected by interest rates.

Fourth, the regulatory activities of the government—for example, the administration or non-administration of the anti-trust laws,—may have varying degrees of importance.

Fifth, there is public spending in all its forms. Even in non-controversial fields — at least non-controversial in kind if not in degree—the aggregate annual volumes of public spending are considerable. One example is national defense.

Sixth, and in some ways most important of all, price and wage policies affect the flow and distribution of national income. In fact, under the private enterprise economy which we are all striving to maintain, perfect or more nearly perfect adjustments in this price-wage area—on the farm as well as in the city—would correspondingly reduce, though not remove, the need for the other forms of adjustment which I have mentioned.

Areas of Public and Private Concern

The crucial characteristic of these price-wage matters, furthermore, is that the main decisions are made not by the Government but rather by bargaining forces in the general economy. I believe that one key question of our industrial future is whether these bargaining forces will be able to arrive at ever-increasing intelligence and foresight in this area of adjustment. Even without Government regulation in this area, instruments of Government will have an important role to play in assisting towards these adjustments. For the Government contributes toward making available the types of nation-wide information which serve as the signposts for groups seeking to move in a wise direction.

This definition of areas of private and public concern and action raises the further question: "How are the series of private and governmental actions in these various fields to be blended into a symphony rather than allowed to deteriorate into a mass of crashing discords?"

There is nothing totalitarian about looking at the whole picture before deciding what to do. There is no excessive emphasis upon the role of Government in insisting that the Government should think before it acts. In reality, one of the most frequent criticisms of Government emanating from conservative businessmen has been that the various things done by the Government have not been consistent—with consequent lack of the stability to be derived from a discernable policy or pattern. In short, there has been felt a lack of instrumentalities for the rationalization of policy. This lack has

become more conspicuous as events have drawn the Government into an increasing proliferation of activities.

Employment Act of 1946

The Employment Act of 1946 is designed to focus the attention of industry, agriculture, labor and gavernment upon the goal of continuous full employment, and upon the methods of obtaining it.

The law divides into three parts. First, it requires that the President submit to the Congress at the commencement of each regular session an Economic Report. This Report, broadly speaking, must contain a survey of the state of the Nation's economic health, a discussion of trends, an appraisal of government programs bearing upon the economy, and specific recommendations for carrying out the policy of the Act. This policy is aimed toward creating and maintaining conditions affording employment opportunities for those able, willing and seeking to work, and also toward promoting maximum employment, production and purchasing power. Second, the law establishes a three-member Council of Economic Advisers to assist the President in the preparation of the Economic Report and, working permanently throughout the year, to engage in related activities. And, third, the law establishes a Joint Committee within the Congress, composed of 14 members drawn equally from the Senate and the House. The function of this Committee is to receive the Economic Report, study it, and file a report appraising its recommendations for the guidance of the various legislative committees. Putting aside embellishments, this is all there is to the law.

The Council of Economic Advisers, as I have said, operates under this Law. It constitutes a specific agency of the Government, divorced from a special interest in any particular program or policy, in order that it may objectively service the President, the Congress and the country, in appraising and developing overall economic policy.

The tasks of the Council require of it certain obvious practices:

First, it must draw upon the resources and thinking of the various Government departments operating in the economic area. It must not duplicate their specialized work. Its task is one of interpretation and synthesis.

Second, the Council needs skillfully and temperately to cultivate relations with the economic world outside the governmental sphere. Its central task is to study the health and problems of our general economy—and only as a supplement to this to evaluate the impact of governmental programs. The Council cannot study the general economy just by reading books. It can do so only by a working relationship with industry, agriculture, labor and consumers. Not only are these groups entitled to know what the Council is doing and thinking; but what is infinitely more important, the Council should draw upon the thinking and attitudes of these groups in formulating its own recommendations.

Through these series of relationships there are, we hope, prospects for moving appreciably toward national economic policies which broaden the areas of agreement, and narrow the areas of difference, among various segments of our American society. In the long run, increasing unity about fundamentals is the hallmark of progress.

The first step toward unity lies not in the selection of methods but rather in the definition of goals. We got a lot of agreement about methods during the war because everybody was in accord about the goal—victory in the shortest possible time. The nearer we can come to the objective of agreed-upon goals, about the possibilities and prospects of the American economy, the nearer we shall come to a reconciliation of methods.

No one is so pretentious as to believe that there will be any quick or easy formula for avoiding depression. But the difficulty of the task should not turn us from it, when its solution is transcendently important. During the recent war, we did not only solve problems of production; we also solved more general problems of economics. We met problems of war financing, of distribution, of labor supply, and of scarcities of civilian goods, with a great deal more know-how than during the first world war. In consequence, at least up to the present time, we are in a much better economic condition in all respects than we were during the second year following the first world war.

The techniques for peacetime prosperity are entirely different from those for the conduct of a war. But with equal realization of the critical need for a successful outcome, and equal determination to make the outcome successful, we can certainly learn to stabilize our economy at high levels of activity, reap the constantly increasing reward of improved production techniques, and, with great benefit to ourselves, make an increasing contribution to world economic stabilization and the world peace which can rest only upon economic and social contentment.

Our Reporter's Report

The State of Michigan's huge 200 million dollar soldier bonus bond issue, on which bids are due to be opened March 4, already is casting its shadow fully across the municipal bond market.

This became clear in Tuesday's sale of $15,000,000 of new serial bonds of the State of New Jersey, when considerable disappointment was expressed, in Trenton, over the bids received for the issue.

But State officials were quick to recognize that the vast impending flow of veteran bonus issues across the country quite likely means that the municipal market has seen its best levels for the current cycle.

There was considerable debate in the Treasurer's office which had been counting on a rate of 1½%. But before the end of the day the issue was awarded to the banking group which bid involving a premium of $191,985, for a 1¾% coupon.

The issue, which consisted of $7,400,000 of highway bonds and the balance in veteran emergency housing bonds, was reoffered at prices to yield from 0.75% for bonds maturing Jan. 1, 1949 to about 1.829% for the 1982 maturity.

Brisk demand cleared the loan away in good fashion priced, as it was, pretty much in line with prevailing conditions marketwise.

Two Big Ones Loom

In the corporate field the banking fraternity is looking chiefly toward the projected operations of two major public utility companies at the moment: namely Consolidated Edison Co., and American Telephone & Telegraph Co.

Consolidated Edison, launching its long deferred overall refinancing of the debt structure, has registered with SEC for $100,000,000 of new bonds. It is expected that the company will call for bids to be opened around March 5.

American Telephone & Telegraph, which is committed to a huge financing program, new capital in this case, is preparing for another issue of some $200,000,000 of additional debentures. This business is expected to materialize around March 15.

New Capital Issues

Despite all that has been written of the huge cash or liquid accumulations held by corporations, it appears that the call for new capital, through sale of securities, has been going ahead apace.

This appears so judging from the data set forth recently by the Securities and Exchange Commission in its annual report. Such flotations reached a 15-year peak of $1,557,000,000 last year.

And curiously enough by far the bulk of such new money, about 80%, according to the report, was raised by industrial and miscellaneous companies, supposedly the heaviest in cash and liquid assets as a result of the war.

Montreal Bonds Move

The City of Montreal concluded its refinancing program this week with the sale in New York of $77,811,000 of new dollar debentures, plus the award of an additional $31,948,000 of a similar issue payable in Canadian funds.

The American portion of the loan, offered in this market, at prices to yield from 1.25 to 3.06%, depending upon maturity, was reported to have been well-received.

The home portion of the financing was placed on the market yesterday by Canadian banking firms and at last reports was moving along satisfactorily.

Iowa-Illinois Gas & Electric

Another substantial utility financing moved toward fruition with the call by Iowa-Illinois Gas & Electric Co. for bids, to be opened March 17, on $22,000,000 of new first mortgage bonds.

The new issue would mature in 1977 and the proceeds would be used to pay off $10,578,000 of first lien and consolidated mortgage bonds, series A, due 1952, plus $5,422,000 of consolidated 5½s, due 1959. Remaining funds would be used for construction and the acquisition of additional property.

William Lawlor With Hornblower & Weeks

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — William J. Lawlor, Jr. has become associated with Hornblower & Weeks, 39 South La Salle Street, members of the New York Stock Exchange and other leading exchanges. Mr. Lawlor was formerly an officer of Hickey & Co., Inc. with which he had been associated for many years.

Wm. J. Lawlor, Jr.

At Continental Securities

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—Gerrit Lemmink is now with Continental Securities Co., Inc., People's National Bank Building.

The Outlook for Railroad Equities

(Continued from page 1124)

ever, some of the larger carriers have started building cars in their own shops and it is expected that by May 1 car builders will be receiving enough steel to make from 7,000 to 9,000 cars a month, which is considered ample. Strong financial positions and a greater flow of cash suggest increased additions and betterment to property, which will ultimately result in greater efficiency in operations. Changes in the working conditions will come up for adjustment in May and will undoubtedly be considered in conjunction with possible wage adjustments. Costs will increase in 1947, but should they become out of hand, which does not now seem likely, further and speedier rate adjustments appear a good possibility.

We have attempted to evaluate current and future factors in the rail situation for 1947 in the preparation of the table on page 1, in which estimated 1947 earnings are compared with actual 1946 and 1945 results.

These estimates have taken into consideration some increase in cost of materials and supplies and an increase in operating expenses of $160 million to allow for an 8% increase in wages for six months, inasmuch as the next wage contract will be under negotiation about May 1947. Sustained strikes in major industries have not been allowed for, as they are not anticipated at this time.

If an additional $800 million will be received in 1947 from the higher rates and $100 million from increased traffic, total freight receipts in 1947 should aggregate $6,500 million. This, together with $1 billion for 1947 passenger revenue (which is lower than the 1947 estimate of the ICC of $1,172 million) would enable the railroads to show a very satisfactory net income. In fact, it might approximate $400 million, higher than any peacetime year since 1930, and up almost 40% over last year. However, all estimates are subject to revision, as factors may arise which are not visible at this early date.

As far as competition is concerned, the railroads are now more favorably situated than they have been in the past. Trucks and steamships were stronger competitors in the 1930s than they are now. These competitors are now working under higher labor costs, which have grown even faster than railroad wages, so that further diversion from the railroads to them may be negligible, particularly on long-haul traffic. Today only a fraction of the prewar fleet of coastwise and intercoastal ships is in operation. This condition may remain unless ship operations are subsidized or railroads are prohibited from making competitive rates.

Operating ratios of truck lines have increased rapidly in recent years and their profits have been greatly reduced. In addition to the influences of these factors on the volume of railroad tonnage, they also bear upon the matter of rates. Prior to the war, trucks and ship competition resulted in pressure on railroad freight rates, so that the rate per ton-mile in recent years was actually below that of the 1920s. Now, the same competitors plead with the ICC to give the railroads even greater than requested rate increases. While planes will make some inroads in perishable and miscellaneous freight traffic over coming years, the actual loss in tonnage will be minor.

Conclusion

The outlook for the railroads in 1947 must be considered as definitely favorable. With a traffic volume within the general range of 1946 levels, Class I railroads should report highly satisfactory earnings, which (with the exception of the wartime period) will compare with the best witnessed in the history of the industry, barring unforeseen developments. Granting that selection is always necessary, in our opinion these profits could sustain rail stock prices appreciably higher than those prevailing at the present time.

ESTIMATED 1947 EARNINGS OF 40 LEADING RAILROADS

These are our estimates based upon our current views, but are subject to change monthly with changing developments

Company—	Shares Outstanding	Earnings per Common Share 1945	1946	Estimated 1947
Atchison, Topeka and Santa Fe Ry. Co.	2,427,060	$9.56	$13.52	$14.00
Atlantic Coast Line RR. Co.	823,427	6.71	6.64	8.00
Baltimore and Ohio RR. Co.	2,562,953	5.29	0.86	1.50
Bangor and Aroostook RR. Co.	141,792	3.92	1.85	2.50
Canadian Pacific Ry. Co.	13,400,000	1.98	1.07	1.50
Chesapeake and Ohio Ry. Co.	7,657,354	2.14	3.62	4.50
Chicago, Burlington & Quincy RR. Co.	1,708,391	16.04	13.52	15.00
Chicago & Eastern Illinois RR. Co.	343,297	0.83	†6.10	†1.00
Chicago Great Western Ry. Co.	352,639	†0.33	†2.10	0.00
Chicago, Milw. St. Paul & Pac. RR. Co.	2,123,214	3.99	†1.15	3.00
Chicago and North Western Ry. Co.	816,303	10.57	3.19	4.00
Colorado and Southern Ry. Co.	310,000	3.62	†2.17	1.00
Delaware and Hudson Co.	540,049	0.99	8.22	5.00
Delaware, Lack. and West'n RR. Co.	1,688,824	†1.95	0.02	0.50
Erie Railroad Co.	2,455,773	1.54	0.40	2.00
*Great Northern Ry. Co.	3,092,543	7.81	7.58	6.00
Gulf, Mobile & Ohio RR. Co.	590,421	†0.06	0.10	2.50
Illinois Central RR. Co.	1,357,995	7.58	4.67	6.00
International Railways of Central Amer.	500,000	3.15	3.27	5.00
Kansas City Southern Ry. Co.	503,599	9.37	5.57	6.00
Lehigh Valley RR. Co.	1,210,034	†6.25	0.09	1.00
Louisville and Nashville RR. Co.	2,340,000	7.49	4.97	8.00
Missouri-Kansas-Texas RR. Co.	808,964	1.48	†3.65	1.00
Nashville, Chattanooga & St. Louis Ry.	256,006	7.18	1.05	2.50
New York Central RR. Co.	6,447,413	3.79	†1.62	2.00
N. Y., Chic. and St. Louis RR. Co.	337,467	17.54	10.09	16.00
Northern Pacific Ry. Co.	2,479,826	4.66	3.58	4.00
Pennsylvania RR. Co.	13,167,754	3.72	†0.65	3.00
Pere Marquette Ry. Co.	450,448	2.13	†1.19	2.50
Pittsburgh & Lake Erie RR. Co.	863,650	4.14	4.24	5.00
Pittsburgh & West Virginia Ry. Co.	305,000	1.92	†0.15	1.50
Reading Co.	1,399,782	5.59	1.28	3.00
Southern Pacific Co.	3,772,763	8.77	6.70	7.00
Southern Ry. Co.	1,298,200	10.24	4.82	8.00
Texas and Pacific Ry. Co.	387,550	15.63	10.97	9.00
Union Pacific RR. Co.	2,222,910	13.07	13.60	15.00
Virginian Ry. Co.	1,250,860	2.12	1.20	4.00
*Wabash RR. Co.	311,030	17.70	11.83	12.00
Western Maryland Ry. Co.	532,869	5.17	1.02	2.00
Western Pacific RR. Co.	408,283	4.77	3.53	5.00

*Preferred. †Deficit.

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Continued dullness now puts burden of proof on optimists. Action so far not encouraging.

I just got back to my desk but the market hasn't changed any so far as I can see. It is still one of those see-saw affairs with little indicated in any direction.

From a day to day viewpoint there doesn't seem to be anything alarming or disturbing about the action. On strong days the activity picks up. On reactionary days volume drops. It makes for complacency which is frequently one of the real dangers facing the trader.

Ever since the averages rallied from the 170 level to about the 184 figure the expectations have been for further and definite strength. Common belief that the averages would finally push through the old highs, were general. As a matter of fact concensus is that this is merely a resting period and eventually the higher figures would be realized.

Ever since that theory was expounded I have been cautious. For one, I don't go for majority opinion. For another, the underlying causes on which market movements are based, did not, and do not, lend themselves to optimistic interpretations.

Dullness is not always a discouraging phenomenon. After a burst of activity it is often desired and leads to new upsurges. But dullness in the face of disturbing news is another thing. It means that the news is such that it is being carefully weighed before any money is placed. Translated this means that potential buyers of importance, while not selling, are doing very little buying. If this is so, and I have reasons to think it is, the major support of the market is coming from public.

The public is at best a slender reed on which to base any support. In these days of high equities a reaction of a few points or so doesn't shake the public confidence. It is sustained dullness followed by inability or refusal to go up, that creates doubts. In the past few weeks every time this doubt reached a point of potential danger to the market structure, a small rally followed. So long as such a condition continues, no major shakeout is imminent.

The trouble is that the whole method is open to serious question. The severe jolting to British economy cannot be lightly shrugged off. Other factors of more immediate domestic concern are also being tossed in the air. Eventually these and other factors, yet unknown, will upset the applecart. Whether this will bring about a general decline of some duration or whether it will be a temporary affair shouldn't make much difference to the trader. A break, that starts out to be a minor correction, can turn into a debacle if the public is in a selling mood. So called technical resistance points, at such times, are often meaningless. Such storms have to blow themselves out. It is the wise trader who doesn't speculate too much about how bad a storm will be but runs to cover at the first whiff.

It is possible that should a reaction come about in the near future, it will be short lived. Frankly I don't know. All I do know is that the action of the market in the past few weeks, and particularly in the past few days, has not been encouraging. Whether the outlook will change again in the next few days, so far as the immediate future is concerned, is hard to say. I cannot anticipate tape action, I try to interpret it.

There is no harm, however, in keeping one foot in the water bucket. So I continue to advise the retention of both Anaconda and Dresser.

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.]

Pacific Coast Securities

Orders Executed on Pacific Coast Exchanges

Schwabacher & Co.

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San Francisco — Santa Barbara
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Established 1856

H. Hentz & Co.

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New York Curb Exchange
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Commodity Exchange, Inc.
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New Orleans Cotton Exchange
And other Exchanges

N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.

CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Debt, Taxes and Expenditures

(Continued from page 1129)

comes into the world with a $2,000 mortgage hung around its little neck that it must start making payments upon as soon as it begins to earn money. That is something to think about. That is something one can't laugh off.

However, while Uncle Sam has been going deeper and deeper in the red during the last 15 years, every state in the nation has been taking in more money in taxes than it has paid out, so every state in the nation has been liquidating its bonded indebtedness and has been piling up in its treasury a nice cash balance and in some instances huge cash balances. Illinois has $170 million, Ohio has $170 million, Pennsylvania has $200 million, New York has $350 million, and other states in like proportion. What is true of the states is also true of practically every city, village, and hamlet in the nation. They have also been paying off their bonded indebtedness and piling up nice cash balances in their treasuries to draw upon for postwar needs.

Yet every state, city, village, and hamlet in the nation today is asking bankrupt Uncle Sam for federal aid in the form of subsidies of one kind or another to finance schools, hospitals, housing, roads, airports, rural electrification projects, sewer projects, etc., expecting Uncle Sam to go deeper into debt while its own cash piles up. Does this make sense? Where is bankrupt Uncle Sam to get the money to hand out as federal aid? He can get it only by borrowing and going deeper into debt. This program if continued will end inevitably in financial chaos and repudiation.

Where Are We Going to Get the Money?

The following federal aid spending proposals, over and above the necessary regular governmental expenditures, have been indirectly approved by President Truman in his messages to the Congress.

Federal Aid for Education	$500,000,000 per year	
Vocational Education Aid	100,000,000 per year	(voted)
School Lunch Program	100,000,000 per year	(voted)
Free Food Stamp Plan	500,000,000 per year	
Program Rural Electrification	500,000,000 per year	
Federal Aid to Hospitals	100,000,000 per year	(voted)
Federal Health Program	600,000,000 per year	
Sewage Treatment Program	100,000,000 per year	
Federal Housing Program	400,000,000 per year	(voted)

President Truman's Recommended Budget—A Postwar Peacetime National Budget

If we analyze and simplify the President's recommended budget for next year, we can sum it up or boil it down to five general items that embrace the total budget covering thousands of different items:

1. Interest on public debt	$5,000,000,000
2. National defense (proposed peacetime Army and Navy, 10 times as large as our prewar Army and Navy)	11,000,000,000
3. Present veterans benefits per year (they will continue, however, to increase until they reach a peak in 1975)	7,000,000,000
4. Federal payroll (now over $8 billion)	7,000,000,000
5. Miscellaneous federal expenditures, federal aid, subsidies, etc.	7,500,000,000
Total	$37,500,000,000

David Lawrence, one of the best informed men in America, says in his "United States News":

The President has recommended a budget of $37,500,000,000. It should be possible to reduce that budget to $30,000,000,000 and apply half of the saving of $7,500,000,000 to debt retirement and the other half to tax reduction."

That statement is a safe and sound one in my opinion. It should be easy to accomplish, and I shall be disappointed if the new Congress does not accomplish it. I go even further and say that the year following we should reduce the budget from $30 to $25 billion, and again apply the saving—half on the National Debt and half to a further tax reduction. I know that is the program or objective of the Knutson-Taber budget team in the House; and as one member of that team I shall do everything I can to bring it about.

President Truman's New Spending Proposals

The President has, however, recommended and sent to the Congress the following additional proposals that call for spending increased billions of dollars per year:

(a) A universal military training program that will cost between $2 and $3 billion per year.

(b) A public health program that will cost unknown billions per year. Included in this proposal is an additional tax of 4% on the first $3,600 income of every earner in America—doctors, lawyers, teachers, farmers, merchants, as well as all workers in mine, mill, and factory.

(c) An extended and liberalized social security program that will cover everyone from the cradle to the grave. It calls for increasing the present pay roll tax from 2% to 8%, and would assess all "self-employed persons," doctors, lawyers, merchants, farmers, barbers, etc., 5% upon the first $3,600 of their earnings.

(d) The President's Full Employment Bill and his proposal to increase unemployment benefits to a minimum of $25 per week for 26 weeks would add untold and undeterminable billions to the annual budget.

When, where, and how will it all end? Where are we going to get the money?

Foreign Loans

Britain asked and received	$4,400,000,000
Russia wants	3,000,000,000
France wants	3,000,000,000
Italy wants	2,000,000,000
China wants	3,000,000,000
Others want	2,000,000,000

A total of $17 billion in foreign loans, to be saddled upon the already overburdened American taxpayers in order to relieve the taxpayers of other countries.

UNRRA

We have already contributed $2,700,000,000, which was 72% of the total UNRRA funds, but we had less than 5% of the say-so as to how it was spent, or where it was spent, or upon whom it was spent.

In this connection it is both interesting and enlightening to learn that a large part of UNRRA funds, contributed by the United States for the starving people of Europe, was used to build up Stalin's political control over Poland, Czechosolvakia, Yugoslavia, Romania, Austria and Hungary. In blunt language, American money, contributed for the relief of starving people was used to Communize Europe.

Bretton Woods

The Bretton Woods agreement sets up an international bank and an international fund for postwar rehabilitation and reconversion. Here again we put up most of the funds—a total of $6 billion—but have little say-so as to how it is to be handled. In fact, the international bank and the international fund set up under the Bretton Woods Agreement, when analyzed carefully, sets up international loaning agencies operating mostly with American money but controlled by the foreign borrowing nations. How long would any bank remain solvent if it permitted its borrowers to establish its policies and control its lending?

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John J. Quinn Joins Stone & Youngberg

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — John J. Quinn has become associated with Stone & Youngberg,

John J. Quinn

Russ Building, members of the San Francisco Stock Exchange. Mr. Quinn was formerly manager of the trading department for Livingstone & Co. Prior thereto he was with Brush, Slocumb & Co. and Schwabacher & Co.

Ebner & Moginie Are With Davies & Mejia

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Harry A. Ebner and A. Carl Moginie have become associated with Davies & Mejia Russ Building, members of the New York and San Francisco Stock Exchanges. Mr. Ebner in the past was with Dickey & Co. and Walston & Co. Mr. Moginie was with Walston, Hoffman & Goodwin and H. R. Baker & Co.

With H. H. Butterfield

(Special to THE FINANCIAL CHRONICLE)

JACKSON, MICH. — Guy Nemire has become associated with H. H. Butterfield & Company, Jackson City Bank & Trust Company Building, members of the Detroit Stock Exchange. He was previously with Marxer & Company.

With Mark Steinberg Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Elliot H. Stein has been added to the staff of Mark C. Steinberg & Company, Ambassador Building.

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., New Bedford, Mass. (3/4)
Feb. 7 filed 20,000 shares ($25 par) 6% cumulative convertible preferred. **Underwriters**—Granbery, Marache & Lord, New York; and Ames, Emerich & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—For additional working capital.

Air-Borne Cargo Lines, Inc., New York
Feb. 14 (letter of notification) 214,890 shares ($1 par) common. Being offered for subscription to stockholders at $1 a share. Unsubscribed shares will be offered to the public through Greenfield, Lax & Co., Inc., New York. For reduction of current obligations and for working capital.

American Broadcasting Co., Inc., N. Y.
June 27 filed 950,000 shares ($1 par) common stock. **Underwriter**—Dillon, Read & Co. Inc., New York. **Offering**—A maximum of 100,000 shares may be sold by company to persons, firms, or corporations with whom the corporation had network affiliation agreements on March 31. The remainder will be offered publicly. Price by amendment. **Proceeds**—To prepay notes payable to acquire radio station WXYZ, to construct broadcast transmitter for station KGO at San Francisco and for working capital.

American 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 Iron & Machine Works Co., Oklahoma City, Okla.**
Feb. 24, filed $1,000,000 of 4% sinking fund debentures, due 1967; 25,000 shares (no par) $1.10 cumulative preferred and 60,000 shares (no par) common. **Underwriters**—Rauscher, Pierce & Co., Inc., Dallas, and Milton R. Underwood & Co., Houston, Texas. **Price**—Debentures will be offered at 100 while price of the preferred and common stocks will be supplied by amendment. **Proceeds**—To pay $712,500 balance on a bank loan, retirement of $850,000 promissory notes, and provide working capital. **Business**—Manufacture, sale and rental of material and equipment used in drilling and equipping oil and gas wells.

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 Telephone & Telegraph Co. (3/25)**
Feb. 26, filed $200,000,000 35-year debentures due April 1, 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; The First Boston Corp., and Halsey, Stuart & Co. Inc. (jointly). **Proceeds**—Net proceeds from the sale would be used to provide its subsidiary and associated companies with funds for extensions, additions and improvements to their plants; for extensions, additions and improvements to its own plant; and for general corporate purposes. **Interest**—Coupon rate will be determined by the successful bid. **Proceeds**—Proceeds will be applied for additions and improvements to the company's plant and plants of its subsidiaries and for general corporate purposes. The registration states that upon approval by the New York P. S. Commission of its application to increase its authorized shares to 35,000,000, company will proceed with an offering of capital stock under its employees' stock plan under which a maximum of 2,800,000 shares may be sold on an instalment basis. Officers are not eligible to participate under the plan. **Bids**—Company intends to invite sealed bids for the purchase of the new issue as a whole, to be received by 11:30 a.m., March 25, 1947, at Room 2315 of the company offices, 195 Broadway, New York City.

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. The SEC has approved the amendments filed Jan. 23 to company's recapitalization plan as suggested by the Commission. These provide for escrowing the sum of $2,200,000 to cover the call premium on the preferred stock; increase in terms to Community Water Service Co. and Ohio Cities Water Corp. preferred stock to $180 and $159 a share, respectively, plus accrued dividends at 7% annually from Nov. 1, 1945, compared with $135 and $120 a share offered in the original plan; and the issuance of one share of common stock of the new Water Works Holding Co. for each 20 common shares of community outstanding. The U. S. District Court at Wilmington, Del. will hold hearings March 19 on issuing orders to enforce the plan.

● **American Wholesale Grocery, Salt Lake City, U.**
Feb. 18 (letter of notification) 2,000 shares ($100 par) common. Offering to stockholders and employees at $100 a share. No underwriting. For additional working capital.

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.

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 date indefinite.

Barcalo Manufacturing Co., Buffalo
Feb. 10 (letter of notification) 33,333 shares of common stock (par $833). **Underwriters**—Schoellkopf, Hutton & Pomeroy, Inc., and Hamlin & Lunt. Stockholders have prior right to subscribe for the stock. Rights expire March 10. **Price**—$8.75 per share. Proceeds for general corporate purposes.

Beaunit Mills, Inc., New York
Sept. 27 filed 180,000 shares ($2.50 par) common. **Underwriter** — White, Weld & Co., New York. **Price** — By amendment. **Proceeds**—Of the total, 140,000 shares are being sold by St. Regis Paper Co., New York, and the remaining 40,000 shares are being sold by I. Rogosin President of Beaunit Mills, Inc.

Berbiglia, Inc., Kansas City, Mo.
Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price, $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Berkey & Gay Furniture Co., Grand Rapids, Mich.
Feb. 3 filed 733,575 shares ($1 par) capital stock. **Underwriting**—None. **Offering**—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. **Price**—At market. **Proceeds**—Go to selling stockholders.

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.

Book-of-the-Month Club, Inc., New York (3/11)
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. **Under-**

(Continued on page 1158)

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NEW ISSUE CALENDAR

(Showing probable date of offering)

February 28, 1947

Kent Electric Corp. — Pfd. and Com

March 1, 1947

Grosser Knitting Machine Co. — Pfd. and Com.

March 3, 1947

Hercules Steel Products Corp. — Common
Wyatt Food Stores — Preferred

March 4, 1947

Aerovox Corp. — Preferred
Louis Allis Co. — Common
Okla. Gas & Electric Co. (10:30 a.m. CST) — Common

March 5, 1947

Stone Container Corp. — Common
Universal Winding Co. — Preferred

March 6, 1947

Chesapeake & Ohio Ry. (Noon EST) — Eq. Tr. Ctfs.

March 7, 1947

Farquhar (A. B.) Co. — Debs. and Com.

March 10, 1947

North. Indiana Pub. Serv. Co. (11 a.m. EST) — Com.

March 11, 1947

Book-of-the-Month Club Inc. — Capital Stock

March 17, 1947

Iowa-Illinois Gas & Electric Co. — Bonds

March 25, 1947

American Telephone & Telegraph Co. — Debentures

(Continued from page 1157)

writers—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. Directors of Standard Feb. 21 decided to offer the stock for sale in near future.

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 Electric & Gas Co., Sioux Falls, S. D.

May 29 filed 125,000 shares of common stock (par $1). **Underwriters**—Paine, Webber, Jackson & Curtis, and Stone & Webster Securities Corp. **Price**—By amendment. **Proceeds**—For expansion, etc.

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.**

● **Century Geographical Corp., Tulsa, Okla.**

Feb. 17 (letter of notification) $50,000 shares ($1 par) stock. **Price**—$2 a share. Sale to be managed by two officers of the company. For manufacture of new equipment and products, finish building and for expansion.

● **Cleveland (O.) Electric Illuminating Co.**

Feb. 21, filed 1,847,908 shares (no par) common. **Underwriters**—Names by amendment. Probable bidders include Dillon, Read & Co. Inc.; Blyth & Co., Inc. **Offering**—All of the shares are owned by The North American Co. which proposes to sell 1,714,525 shares to common stockholders and the remaining 133,383 shares to underwriters. **Price**—Rights to purchase will be issued at the rate of $15 per share of Cleveland for each five shares of North American common held. **Proceeds**—For prepayment of bank loan notes of North American.

● **Clinton Machine Co., Clinton, Mich.**

Feb. 17 (letter of notification) 10,000 shares ($1 par) stock on behalf of Donald D. Thomas, President of the company. **Price**—$6 a share. **Underwriter**—Smith, Hague & Co., Detroit. Proceeds go to the selling stockholder.

● **Colonial Western Underwriters Co., Inc., Shreveport, La.**

Feb. 13 (letter of notification) 14,778 of preferred and 8,860 shares of common. **Price**—$20 a preferred share and 50 cents a common share. No underwriting. For purchase of 99% of the shares of Colonial Western Insurance Co., to promote sale of insurance by this company, and for other purposes.

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.

● **Consolidated Edison Co. of New York, Inc.**

Feb. 21, filed $100,000,000 of first and refunding mortgage bonds, series A, due 1982. **Underwriters**—To be determined by competitive bidding. Probable bidders include Morgan Stanley & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp. (jointly). **Price**—To be determined by competitive bidding. **Proceeds**—For redemption of outstanding mortgage bonds.

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.**

● **Cory Corp., Chicago**

Feb. 20, filed 177,000 shares ($1 par) common. **Underwriter**—Glore, Forgan & Co., Chicago. **Price**—By amendment. **Proceeds**—All of the shares are being sold by stockholders including James W. Alsdorf, President. **Business**—Operation of glass coffee brewer division and electric air circulator division.

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.

Crown Capital Corp., Wilmington, Del.

Jan. 22 filed 250,000 shares ($1 par) class A common. **Underwriter**—Hodson & Co. Inc., New York, will act as selling agent. **Price**—By amendment. **Proceeds**—Net proceeds will be used as capital for company's subsidiaries engaged in the small loan or personal finance business.

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.

● **Delaware Power & Light Co., Wilmington, Del.**

Feb. 21, filed 50,000 shares ($100 par) cumulative preferred. **Underwriter**—To be determined by competitive bidding. Probable bidders include Lehman Brothers; The First Boston Corp., and Blyth & Co., Inc. (jointly); Shields & Co., and White, Weld & Co. (jointly); Paine, Webber, Jackson & Curtis, and W. C. Langley & Co. (jointly). **Price**—To be determined by competitive bidding. **Proceeds**—To be added to cash funds and will be used, among other things, to finance construction. **Business**—Public utility.

● **Delta Oxygen Co., Inc., Memphis, Tenn.**

Feb. 17 (letter of notification) 2,500 shares ($100 par) class A stock. **Price**—$100 a share. No underwriting. For purchase of machinery and equipment and other expenses.

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.

● **Drexel (N. C.) Furniture Co.**

Feb. 24, filed an unspecified number of shares of $2.50 par common. **Underwriter**—R. S. Dickson & Co., Inc., Charlotte, N. C. **Price**—By amendment. **Proceeds**—Offering is not being made by the company, but by certain stockholders, including officers and directors of the company who have entered into a selling agreement with the underwriters. The amount of shares being sold and the names of the selling stockholders will be supplied by amendment. **Business**—Manufacture of dining room and bedroom furniture, principally of Eighteenth Century design and style.

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.

● **Elfun Trusts, New York**

Feb. 20, filed trustees' certificates for 300,000 units. **Underwriting**—Purchases and sales for Elfun Trusts are made by I. C. Mahanna, Secretary of trustees, or other authorized agents. **Offering**—Limited to executives, leading employees, persons on retainer and former employees of the General Electric Co. and its subsidiaries or other designated persons. **Price**—Certificates will be issued to each Associate, evidencing the number of units in the fund to which the Associate is entitled by reason of payments made by, or for the account of, the Associate. Value or price of unit dependent on value of underlying securities constituting the portfolio. **Proceeds**—For investment.

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.

● **Everglades Protective Syndicate, Inc., Palm Beach, Fla.**

Feb. 21 (letter of notification), 300 shares of class A common. **Price**—$1,000 a share. No underwriting. For retirement of bonds, encumbering properties of company.

Farquhar (A. B.) Co., York, Pa. (3/7-10)

Feb. 13, 1947 (by amendment) $600,000 4¾% sinking fund debentures, due 1962 (with warrants) and warrants for 600 common shares (par $5) attached to debentures; also 56,800 common shares (par $5) to be offered to public. (On Sept. 26 company 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 4½% sinking fund mortgage bonds, due Aug. 1, 1957, to pay off certain contracts and chattel mortgages and to reduce bank loans.

● **Federal Electric Products, Newark, N. J.**

Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital. **Business**—Manufacture of electrical devices and apparatus. Company was incorporated last July.

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

● **Fire Chief Mining Co., Spokane, Wash.**
Feb. 14 (letter of notification) 100,000 shares (5¢ par) stock. **Price**—10 cents a share. No underwriting. Application of net proceeds not stated.

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.

● **Forson Oil & Gas Co., Ardmore, Okla.**
Feb. 17 (letter of notification) $55,000 shares ($1 par) capital stock. **Price**—$1 a share. Sale to be promoted by President of company. For drilling oil and gas wells.

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.

● **Front Range Mines, Inc., Denver, Colo.**
Feb. 21 (letter of notification) 150,000 shares of common. **Price**—$2 a share. No underwriting. For mine development.

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.

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.

● **Grosser Knitting Machine Co. of America, Inc., Atlantic City (3/1)**
Feb. 19 (letter of notification) 840 shares each of preferred and common. To be sold in units at $130 a unit. No underwriting. For machine tools, raw stock and other purposes.

Gulf States Utilities Co., Baton Rouge, La.
Jan. 20 filed 1,909,968 shares (no par) common. **Underwriter**—None. **Offering**—The shares will be offered for subscription to common stockholders of Gulf States' parent, Engineers Public Service Co., New York. The subscription basis will be one share of Gulf States stock for each share of Engineers common held. **Price**—$11.50 a share. **Proceeds**—Purpose of offering is to carry out a provision of dissolution plan of Engineers approved by the Commission.

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 40,000 shares ($10 par) common. **Underwriting**—None. **Offering**—All preferred and common will be offered publicly. **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.

Hercules Steel Products Corp., N. Y. (3/3-7)
Jan. 16 filed 180,000 shares (10c par) common. **Underwriter**—Dempsey & Co., Chicago. Price by amendment. **Proceeds**—Net proceeds together with a $650,000 bank loan will be used to repay indebtedness to the Marine Midland Trust Co., New York.

Hy-Grade Supply Co., Oklahoma City
Dec. 3 (leter of notification) 54,350 shares of cum. conv. preferred and 50,000 common stock purchase warrants. **Price**—$5.50 a preferred share and 2 cents a warrant. **Underwriter**—Amos Treat & Co., New York. It is expected that a full registration will be filed later with the SEC.

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.

International Roll Forming Co., Inc.
Feb. 7 (letter of notification) 10,000 shares of 4½% cumulative preferred (non-voting) stock (par $10) and 80,000 shares of common stock (no par). Gordon Saunders Co., New York (although not technically an underwriter) will assist in distribution of securities. **Price**—Preferred, $10; common, 5 cents. Each purchaser of one preferred share shall have right to purchase two common shares. Proceeds for purpose of purchasing materials, renting factory and office space, etc.

Iowa-Illinois Gas & Electric Co. (3/17)
Feb. 15 filed $22,000,000 of first mortgage bonds due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. **Proceeds**—Part of the proceeds will be used to pay mortgage debt of $10,578,000 and balance will be added to general funds. **Bids**—Bids for the purchase of the bonds will be received up to March 17 at room 2200, 105 West Adams St., Chicago.

● **Jah & Ollier Engraving Co., Chicago**
Feb. 26, filed 102,000 shares ($1 par) common. **Underwriter**—Sills, Minton & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders. **Business**—Preparing printing plates on copper and zinc by photomechanical and hand-engraving operations.

● **Jet Helicopter Corp., New York**
Feb. 21 (letter of notification) 99,585 shares ($1 par) common. **Price**—$1 a share. No underwriting. Offering to be made to present stockholders. To pay indebtedness and to complete helicopter model.

● **Joyce, Inc., Pasadena, Calif.**
Feb. 24, filed 150,000 shares ($1 par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$6.25 a share. **Proceeds**—Of the total, company is selling 100,000 shares and 50,000 shares are being sold by stockholders. Company will use its estimated net proceeds of $518,242 for the following purposes: retirement of 295 shares of 6% preferred at $100 a share and accrued dividends; retirement of 9,615 shares of 4% second preferred at $10 a share and accrued dividends; payment of a $300,000 bank note held by Union Bank & Trust Co. of Los Angeles; and balance for working capital. **Business**—Principally engaged in manufacture of women's shoes and slippers.

● **Kent Electric Corp., Rome, N. Y. (2/28)**
Feb. 19 (letter of notification) 6,000 shares ($25 par) 6% cumulative preferred and 1,500 shares ($5 par) common. **Price**—$105 per unit consisting of four shares of preferred and one share of common. No underwriting. For organization expenses and to purchase that portion of assets, etc., of The Kent Co., Inc., used in connection with manufacture and sale of Model A-9 Floor Conditioner.

Kingan & Co., Inc., Indianapolis, Ind.
Jan. 24 filed 6,564 shares ($100 par) 4% cumulative preferred and 174,625 shares ($10 par) common. Underwriter by amendment. Price by amendment. **Proceeds**—All of the securities are being offered by stockholders who will receive proceeds.

Louis Allis Co., Milwaukee, Wis. (3/4)
Feb. 10 filed 25,000 shares ($10 par) common being sold by the company and 50,000 shares to be sold by stockholders. **Underwriter**— The Wisconsin Co., Milwaukee. **Offering**—Company will offer its shares for subscription to common stockholders. The shares being sold by stockholders as well as unsubscribed shares of the company will be purchased by underwriter. **Price**—By amendment. **Proceeds**—Net proceeds to company will be added to working capital, some of which may be used to finance its program for expansion of manufacturing facilities.

● **McCormick & Co., Inc., Baltimore, Md.**
Feb. 19 (letter of notification) 4,000 shares (no par) common. **Price**—$37.50 a share. No underwriting. The shares will be offered to employees on a salary deduction plan. Proceeds will be used to purchase additional equipment, for working capital and other purposes.

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.

● **Medical Business Corp. of America, Fort Wayne, Ind.**
Feb. 17 (letter of notification) 25,000 shares of class A common. **Price**—$10 a share. **Underwriter**—Lincoln Securities Co., Fort Wayne. **Proceeds**—To establish schools for medical associates; medical business bureaus and medical buildings.

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.

● **Modern Oil Co., Denver, Colo.**
Feb. 19 (letter of notification) 300,000 shares ($1 par) common. **Price**—$1 a share. **Underwriting**—By officers and directors of company. For drilling wells and general development of properties.

● **Moore-Handley Hardware Co., Inc., Birmingham, Ala.**
Feb. 20, filed 16,000 shares ($100 par) cumulative preferred and 85,000 shares ($1 par) common. **Underwriter**—Equitable Securities Corp., Nashville, Tenn.; Paul H. Davis & Co., Chicago; and Johnston, Lemon & Co., Washington, D. C. **Price**—By amendment. **Proceeds**—Proceeds will be applied to the redemption of 44,000 shares ($50 par) $3 cumulative preferred at $50 a share and accrued dividends. Additional funds for the redemption program will be supplied from treasury. **Business**—Engaged in wholesale hardware and supply business.

● **Morning Glory Mines, Inc., Spokane, Wash.**
Feb. 21 (letter of notification) 40,000 shares of common to be issued to holders of $12,000 of bonds for retirement of the bonds and release of mortgage security on properties.

Motors Securities Co., Inc., Shreveport, La.
Feb. 19 filed $5,000,000 collateral trust notes. **Underwriting**—No underwriting. **Price**—$97.65 a unit. **Proceeds**—For purchase of automobile time sales paper which is its principal business as a finance company.

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

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bids for the purchase of the stock on Sept. 4. but the sale was postponed. Directors of Standard, Feb. 21 decided to offer stock for sale in near future.

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.

Newburgh Steel Co., Inc., Detroit
Aug. 2 filed 30,000 shares of 6% cumulative convertible preferred stock (par $10), and 30,000 common shares ($1 par). **Underwriter**—Charles E. Bailey & Co., Detroit. Shares are issued and outstanding and are being sold by Maurice Cohen and Samuel Friedman, President and Secretary-Treasurer, respectively, each selling 15,000 shares of preferred and 15,000 shares of common. **Price**—$10 a share for the preferred and $6 a share for the common. $204,047 of the proceeds shall be paid to the company to discharge their indebtedness to it.

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 alternate 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. On Feb. 5 the Association amended its alternate plan. The changes limit the issuance of common stock to 1,850,000 shares, provide for the interest rate on the new bonds to be set by competitive bidding, clarify the terms under which the disposition of claims is to be carried out and make other alterations concerning the interest payments thereon. The alternate plan was approved by the SEC Feb. 11.

Northern Engraving & Mfg. Co., La Crosse, Wis.
Aug. 29 filed 70,000 shares ($2 par) common stock. **Underwriter**—Cruttenden & Co. **Offering**—All shares are issued and outstanding and being sold for the account of present holders. **Price**—$16 a share. **Proceeds**—To selling stockholders. Offering temporarily delayed.

Northern Indiana Public Service Co. (3/10)
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., 146,923 by Middle West Corp. **Bids Invited**—Proposals for the purchase of the stock will be received at offices of Guaranty Trust Co., 140 Broadway, New York, up to 11 a.m. (EST) March 10.

Nugent's National Stores, Inc., New York
June 21 filed 85,000 shares ($1 par) common stock. **Underwriters**—Newburger & Hano, and 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. (3/4)
Dec. 23 filed 890,000 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders: 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**—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. **Bids Invited**—Company will receive bids up to 10:30 a.m. (CST) March 4 for the sale of 140,000 shares of common stock. Bids will be received at company's office, Room 1117, 231 So. La Salle St., Chicago. Sale of other 750,000 shares postponed.

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.

● **Palmer Mabelle Gold Mines, Inc., Seattle, Wash.**
Feb. 21 (letter of notification) $17,005 of notes and $850 of stock. **Price**—$1 per note and 1 cent per share of stock. **Underwriter**—William E. Turner, Seattle. For mine development.

Palmetto Fibre Corp., Washington, D. C.
August 16 filed 4,000,000 shares (10¢ par) preference stock. **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, Fla., 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. **Underwriter**—Tellier & Co. withdrew as underwriters.

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

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.

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.

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.

Puritan Fund, Inc., Boston, Mass.
Feb. 3 filed 300,000 shares of capital stock (par $1). **Underwriters**—Paul H. Davis & Co. and The Crosby Corp. Price at market. The fund is registered under the Investment Company Act of 1940 as an open-end diversified investment company of the management type. **Proceeds**—For investment.

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.

● **Rademont Mining Co., Butte, Mont.**
Feb. 21 (letter of notification) $149,000 warrants for purchase of capital stock at $1 a share up to Sept. 30, 1951. Warrant price, 1 cent per warrant. No underwriting. For general mining purposes.

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

Refrigerated Cargoes, Inc., New York
Feb. 3 filed 25,000 shares ($100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter**—John Martin Rolph, Vice-President and director of company. **Price**—The stocks will be sold at $105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

Republic Pictures Corp., New York
Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

Rothmoor Corp., Chicago
Feb. 17 filed 125,000 shares (40¢ par) common. **Underwriters**—Headed by Lee Higginson Corp. and F. S. Moseley & Co., Chicago. **Price**—By amendment. **Proceeds**—Shares are issued and outstanding and are being sold by Max E. Weinstock, President, and Morris Michel, Vice-President, as trustees of various trusts for members of their respective families. **Business**—Manufacture of women's cloth coats and suits.

● **Santa Rosa Mining Co., Keeler, Calif.**
Feb. 18 (letter of notification) 98,000 shares of common. **Price**—$2 a share. To be sold through President. For development purposes and for working capital.

● **San Vicente Mining Co., Inc., Reno, Nev.**
Feb. 18 (letter of notification) 100,000 shares ($1 par) common. **Price**—$1 a share. To be sold through President of company. For exploration and development of mining claims.

Solar Manufacturing Corp.
June 14 filed 80,000 shares of $1.12½ cumulative convertible preferred stock, series A (par $20). **Underwriters**—Van Alstyne, Noel & Co. Price by amendment. **Proceeds**—Net proceeds will be applied for the redemption of outstanding series A convertible preferred stock which are not converted into common stock. Such proceeds also will be used for additional manufacturing facilities in the amount of $600,000; for additional inventory amounting to $400,000, and for additional working capital. Offering temporarily postponed.

Soss Manufacturing Co., Detroit, Mich.
Sept 3 filed 40,000 shares ($25 par) 5% cumulative convertible preferred. **Underwriter**—Ames, Emerich & Co., Inc., Chicago. **Offering**—To be offered to common stockholders for subscription at $25 a share in the ratio of one preferred share for each five shares of common held unsubscribed shares will be sold to underwriters at same price. **Price** — Public offering price of unsubscribed shares by amendment. **Proceeds**—For expansion of plant facilities and for additional working capital. Offering postponed.

Southern Counties Gas Co. of Calif., Los Angeles
Feb. 19 filed $6,000,000 3% first mortgage bonds due March 1, 1977. **Underwriting**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart Co. Inc.; The First Boston Corp.; Blyth & Co., Inc. **Proceeds**—To reimburse treasury for expenditures made for capital purposes and to finance construction costs.

● **Standard Factors Corp., New York**
Feb. 19, filed voting trust certificates for 199,800 shares of $1 par common plus an indeterminate number of shares as may be issued from time to time upon conversion of $913,500 of 4¾% 15-year convertible subordinated debentures. Theodore H. Silberg is the sole voting trustee. Voting trust certificates will be exchanged for outstanding shares of common.

● **Sterling Inc., New York**
Feb. 20 (letter of notification) 30,000 shares of common stock (par $1), to be issued in exchange for 15,000 shares of common stock of Pearson Co., Inc., on basis of two Sterling shares for one share of Pearson. Offer will be withdrawn April 10.

Stone Container Corp., Chicago (3/5)
Oct. 24 filed 250,000 shares ($1 par) common. **Underwriter**—Hornblower & Weeks, Chicago. **Offering**—Of the total, company is selling 100,000 shares and stockholders are selling the remaining 150,000 shares. **Price**—By amendment. **Proceeds**—Of net proceeds, company will use $750,000 for payment of a bank loan, and $493,500 for discharge of 10-year 6% debentures.

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.

● **Temple (A.R.), New Orleans**
Feb. 17 (letter of notification) assignments of oil and gas leaseholds on lands in Kemper and Neshoba Coun-

ties, Miss., in the aggregate amount of 2,154.6 acres at $15 an acre. No underwriting. For expenses and drilling well.

● Tibbetts Industries, Inc., Camden, Me.
Feb. 19 (letter of notification) 2,577 shares of common. **Price**—$25 a share. No underwriting. For capital expenditures.

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.

● Trimfoot Co., Farmington, Mo.
Feb. 19 (letter of notification) 5,580 shares ($1 par) common. **Price**—$28 a share. No underwriting. For additional working capital.

● Union Silver Mining Co., Seattle, Wash.
Feb. 13 (letter of notification) 150,000 shares (10¢ par) common. **Price**—25 cents a share. No underwriting. For setting up ore-treating mill and other expenses.

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 to public for preferred $5 per share. Employees will be permitted to purchase preferred at $4.50 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 Winding Co., Cranston, R. I. (3/5-7)
Feb. 10 filed 100,000 shares ($15 par) convertible preferred. **Underwriter**—Reynolds & Co., New York. **Price**—Supplied by amendment. **Proceeds**—To pay cost of converting company's former foundry building to manufacturing purposes and to pay short-term bank loans. Any balance will be used as working capital. **Business** — Production of winding machines.

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**—Debentures 98; common $3.75 per share. **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.

● Ward Baking Co., New York
Feb. 24, filed 291,487½ shares ($1 par) common. **Underwriter**—No underwriting. **Offering**—The shares are the number reserved for exercise of stock purchase warrants which expire April 1, 1956. **Price**—$12.50 a common share during first four years beginning April 1, and $15 a share during the last five years. Payment may be made in cash or by tender of 5½% cumulative preferred stock. **Proceeds**—Proceeds will be added to treasury funds. **Business**—Baking company.

● Washington Plumbing & Heating Supply Co., Seattle, Wash.
Feb. 17 (letter of notification) 200 shares ($50 par) common. **Price**—$50 a share. No underwriting. For working capital.

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., Wichita Falls, Tex.
Feb. 25, filed $1,000,000 12-year debentures, due 1959, and 50,000 shares ($1 par) common. **Underwriters**—First Colony Corp., New York, and Childs, Jeffries & Thorndike Inc., Boston. **Offering**—Of the total common, 5,000 shares are reserved for offering to employees. **Price** By amendment. **Proceeds**—Company is selling the debentures while the common stock is being sold by the four officers and directors. The company will use its proceeds to pay bank loans, to acquire additional warehouse space and to provide working capital. **Business**—Wholesale and retail sale of automobile accessories, tires, batteries, etc.

● Whitehall Fund, Inc., New York
Feb. 19, filed 250,000 shares ($1 par) capital stock. **Underwriter**—Broad Street Sales Corp., New York. **Price**—At market. **Proceeds**—For investment. **Business**—Investment business. The company was incorporated Feb. 10, 1947.

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.

Wisconsin Supply Corp., Madison, Wis.
Feb. 10 (letter of notification) 400 shares ($100 par) 5% cumulative preferred. **Price**—$100 a share. **Underwriter**—Northwestern Securities Co., Madison, Wis., is selling agent. For partial payment of plant construction costs and to provide working capital.

Wrisley (Allen B.) Co., Chicago
Feb. 15 filed 100,000 shares ($1 par) common and 3,000 shares ($100 par) cumulative convertible preferred 4% series. **Underwriter**—Paul H. Davis & Co., Chicago. The 3,000 shares of preferred will be offered to employees, present stockholders and others. Buyers must agree that shares are to be purchased for investment and not for resale. **Price**—$100 a preferred share. Public offering price for common by amendment. **Proceeds**—For general corporate purposes including payment of the balance on the cost of the company's building program.

● Wyandotte Worsted Co., Waterville, Me.
Feb. 26 filed 92,038 shares of common stock (par $5). **Underwriter**—None. Stock will be sold through regular market channels over the New York Stock Exchange at "the best prices obtainable." **Proceeds**—Stock being sold by five stockholders.

Wyatt Food Stores, Dallas, Texas (3/3)
No. 12 filed 5,000 shares (par $100) 5½% 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.

● Yellow Banks Oil & Gas Co., Denver, Colo.
Feb. 18 (letter of notification) 400,000 shares of capital stock. **Price**—25 cents a share. **Underwriter**—Julius H. Kolb., Jr., President of company. For drilling and development program on oil and gas leases.

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)

● American Potash & Chemical Corp.
March 12, stockholders will vote on creating 100,000 shares (no par) cumulative preferred stock, of which it is planned to sell from 60,000 to 80,000 shares. Proceeds will be used for expansion. Probable underwriters include Kuhn, Loeb & Co.; Glore, Forgan & Co., and Lehman Brothers.

● Chesapeake & Ohio Ry. (3/6)
The company is inviting bids for the sale of $1,800,000 equipment trust certificates. Bids will be received at company's office, 3400 Terminal Tower, Cleveland, Ohio, on or before noon (EST) March 6. The certificates are to mature annually April 1, 1948 to 1957. This issue will finance part of the purchase price of new equipment estimated to cost $2,271,533. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris Hall & Co. (Inc.); R. W. Pressprich & Co.; Harriman Ripley & Co., and Cleveland Trust Companies.

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● Cleveland Electric Illuminating Co.
Feb. 19, reflecting its confidence in the growth of the City of Cleveland, company plans a $57,000,000 program of extension and improvements, necessitating the issuance of new securities. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc.; Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane.

● Consolidated Gas Electric Light & Power Co. of Balt.
Feb. 21, new financing to meet cost of an extensive construction, estimated in the neighborhood of $50,000,000, will be required according to the annual report. This will require the sale of additional securities. Probable bidders include The First Boston Corp., and White, Weld & Co. (jointly); Halsey, Stuart & Co. Inc.; Alex Brown & Sons.

● Ferguson (Harry), Inc.
Feb. 26, early registration of 100,000 shares of preferred stock (par $50) expected, with F. Eberstadt & Co., Inc., and Watling, Lerchen & Co. as underwriters. Proceeds (approximately $7,750,000) will be used to finance production of the Ferguson tractor. Public offering expected in April.

● Foremost Dairies, Inc.
Feb. 19, there is a possibility of company calling its 6% preferred stock this year. It is said that the company's improved financial position would make the replacement of this issue with a lower-rate preferred stock a distinct likelihood. Probable underwriter, Allen & Co.

● Kentucky Utilities Co.
Feb. 15, reported company intends to file refinancing plan with SEC which, among others, calls for refunding outstanding first mortgage 4% bonds at lower interest rate and the refinancing of outstanding 6% and 7% preferred stocks. The plan, it is said, also calls for the sale for cash of about $8,500,000 additional common stock. Probable bidders for securities include Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly).

● Louisiana Power & Light Co.
March 10, SEC will hold hearing on application from company to redeem its outstanding $6 preferred stock. Company, subsidiary of Electric Power & Light Corp., proposes to offer to holders of its 59,422 preferred shares the right to exchange share-for-share of a new issue of $100 par cumulative preferred. All shares not exchanged will be called at $110 a share plus accrued dividends to date of redemption.

● Michigan Consolidated Gas Co.
Feb. 25, company applied to the SEC for authority to issue and sell $6,000,000 first mortgage bonds at competitive bidding. Probable bidders: Dillon, Read & Co.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.).

● New England Power Association
Feb. 25, reported company plans the issuance of $60,000,000 bonds to refund existing obligations. Bidders may include Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co.; Kidder, Peabody & Co. (jointly).

● New Orleans Public Service Inc.
Feb. 22, company's construction program for 1947 and 1948 will be financed by sale of common stock to provide $2,000,000 and by sale of $2,000,000 first mortgage bonds, besides cash on hand and in replacement fund. Probable bidders: Halsey, Stuart & Co. Inc. (bonds); Dillon, Read & Co. Inc.; Blyth & Co., Inc.

● Seaboard Air Line RR.
Feb. 25, new equipment to cost approximately $15,500,000 has been authorized by the directors, the preliminary

(Continued on page 1162)

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(Continued from page 1161)

annual report to stockholders shows. Probable bidders for the issues include Shields & Co.; Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

● **South Carolina Power Co.**

Feb. 1 the South Carolina P. S. Commission approved company's proposal to sell publicly 200,000 shares of common stock. Proceeds of the sale would be used to help finance the company's construction program. All the 600,000 common shares now outstanding are owned by Commonwealth & Southern Corp. No definite plans have been formulated as yet with respect to sale of new common by South Carolina or to divestment of its stock held by the parent. Probable bidders when stock is put up for sale, include The First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co.

● **Southern Co.**

Feb. 19, Commonwealth & Southern Corp. filed an amendment with the SEC accepting conditions proposed by the Commission to dispose of its direct and indirect interest in all of its subsidiaries other than four operating companies in the South. This will result in the acquisition by the Southern Co. of the common stocks of Alabama Power Co., Georgia Power Co., Mississippi Power Co., Gulf Power Co., and Savannah River Electric Co. After approval of the Commission Southern Co. intends to make application for the sale of common stock in order to raise $10,000,000 to be invested in the common stocks of its subsidiaries for their construction programs. Probable bidders: The First Boston Corp.; Lehman Brothers; Morgan Stanley & Co.

● **Southern California Gas Co.**

Feb. 25, reported company planning issuance of $10,000,000 bonds. Proceeds for new money. Probable bidders include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.

● **Southern California Water Co.**

Feb. 24, reported company plans refunding outstanding bonds and provide new money through a $5,000,000 bond issue. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.

● **Texas Utilities Co.**

Feb. 24 company, subsidiary of American Power & Light Co., received authority from the SEC to change its 2,001,000 (no par) common shares into 4,000,000 shares (no par) common. Company subsequently proposes to increase authorized common to 40,000,000 shares (no par). The reclassification of shares held by American is proposed in order to facilitate American's sale at competitive bidding of 15% of Texas common in accordance with American's plan to retire its preferred stock.

● **Tucker Corp., Chicago**

Feb. 21, company proposes to raise about $15,000,000 to $20,000,000 through a common stock issue which is expected to be filed with the SEC in March. Probable underwriter, Floyd D. Cerf Co., Inc. Additional money in amount of $12,000,000 will be sought through company's auto-dealer organization.

Permanent National Management-Labor Council Proposed by CED

(Continued from page 1122)

and House labor committees, to advise the director of mediation on matters of policy and to approve the appointment of all mediators.

Two other recommendations, designed to make collective bargaining work better in this country, highlight the statement. One is that no strike be called or strike vote taken until bargaining has had a chance to function and the mediation service an opportunity to settle the dispute. The other would require that differences arising from the interpretation of the terms of agreements be arbitrated.

Policy Explained

The statement of national policy was made public by Paul G. Hoffman, CED Chairman; and Eric Johnston, who served as Chairman of a special committee of businessmen and labor relations experts which drafted the statement.

"The report is the result of eight months of careful study by leading businessmen and outstanding labor relations experts, working together under the unique CED plan which combines the practical experience of businessmen and the specialized knowledge of experts in producing responsible statements in the public interest," Hoffman said.

"CED's recommendations in this report are based upon the premise that the general public has a vested interest in industrial peace, that labor disputes are no longer the sole concern of management and labor, and in consequence the general public, through government, has an obvious right to impose rules upon both management and labor which will promote peaceful bargaining," he added.

Legislative changes are recommended to improve contract making, to require observance of contracts, and to eliminate abuses which have caused industrial strife. The committee warns, however, that legislation alone cannot make collective bargaining work. Union and management must bring "sanity, moderation and tolerance to the bargaining table," the report declares.

Compulsory Arbitration Rejected

The committee rejects, as unsound, proposals for compulsory arbitration and super-boards.

The committee recommends the establishment of a strong new mediation service, headed by a director, in order to facilitate the making of contracts. The new service, which would replace the present conciliation service, would be placed administratively in the Department of Labor but would be independent in matters of policy. It would be staffed by highly competent professional personnel, having "new status, new functions and new dignity."

The new federal mediation board would have three principal functions. One would be to foster local and state mediation by helping communities and states establish mediation services of their own, and to refer disputes to such bodies where practical. Decentralization of the federal mediation service also is proposed in the plan.

A second function would be to provide mediators where local and state mediation do not exist, or where parties prefer to call upon the federal mediation service. A third function would be to encourage voluntary arbitration in contract making. The service would encourage private arbitration services and would maintain a panel of competent arbitrators available upon request by employer and union.

Mediation Period Suggested

The committee's proposal provides for a required ten-day period of mediation before a strike vote can be taken, a strike declared or a lockout put into effect. A statement of unresolved issues must accompany the request for mediation. The committee feels that the public has an interest in every strike, and, therefore, a government mediator or one selected by the parties should have an opportunity to seek a solution of the dispute.

If the dispute cannot be settled during the mediation period, the committee recommends a procedure for a democratic strike vote. To assure this, it is proposed that the strike vote be supervised and taken by secret ballot as promptly as possible after reasonable notice has been given to the union membership. A majority of union members voting must approve the strike before it can be called.

The committee recommends that supervisory employees be excluded from coverage under the Wagner Act. Other proposed Wagner Act changes include an amendment to require unions as well as managements to bargain, and another to assure freedom of speech by both employers and unions. These changes would, in the committee's opinion, tend to create "pressures for peace" instead of pressures for strikes and strife.

To promote more effective administration of agreements, the committee would provide means for preventing breaches of contracts, also for final and peaceful adjudication of differences over the meaning of contract terms. It is recommended that legislation be enacted to require all employers and unions who are parties to collective bargaining contracts to incorporate in their agreements a procedure, ending in arbitration, to settle claims of contract violation by the union and employees as well as by the employer.

In urging that abuses which have tended to undermine collective bargaining be eliminated, the committee declares that jurisdictional disputes have no moral justification and must be prevented either by the unions themselves or, failing that, by prompt government action. If voluntary methods fail, it is recommended that the NLRB, at the request of the employer or union concerned, appoint a referee who would be required to conduct hearings and render his award within a given period. The award would be final and enforceable by injunction.

Minority Union Action Denied

On the subject of strikes, boycotts, and picketing by minority unions when a majority union has been certified as bargaining agent, the statement says "such actions by minority unions are an attempt to force an employer into violation of law. They cannot be tolerated in a democracy." As a remedy, the statement proposes that the NLRB be required to apply to the courts for a restraining order against the offending union.

Violent and unlawful picketing is scored in the statement, which says that this, more than any other single action of labor, "discredits the union and undermines public faith in collective bargaining." The Congress should take any legislative steps necessary to prohibit picketing which bars ingress or egress from a plant, and other forms of violence in the conduct of a strike or the maintenance of a picket line, the statement adds.

The committee recommends also that the Clayton Act be clarified so as to prevent unions from engaging in actions which restrain trade and commerce and which are not connected in any way with labor disputes. The statement declares the Clayton Act has been stretched far beyond its initial purpose in granting special immunity to labor groups in such situations.

The committee rejects compulsory arbitration and super-boards and says on this subject:

"As long as either side expects the government to act, the hope will persist that more can be gained by appealing to the government than by agreement. Unless it is crystal clear that the government will not intervene to set terms of labor-management agreements, strikes to compel government intervention will continue to occur."

Therefore, the statement declares, legislation providing for super-boards, compulsory arbitration, government seizure or other coercive devices will retard rather than advance the development of collective bargaining and to that extent will jeopardize the maintenance of a free economy.

Hoffman said the statement is the responsibilty of the CED research and policy committee and not of the board of trustees or the research staff. The present statement, he added, is confined to collective bargaining but a comprehensive study by CED also is under way covering other matters such as industry-wide bargaining, the closed shop, secondary boycotts, and the monopolistic power of unions.

Business Failures in 1946 Reported

For the first time in the history of American business, manufacturing failures outnumbered wholesaling and retailing failures in 1946. Dun & Bradstreet, Inc., reported on Feb. 11, the report continued as follows:

Of a grand total of 1,130 concerns failing during the year, 452 were manufacturers; their liabilities comprised $37,435,000 of a total volume of $70,349,000. Within the manufacturing division, the machinery and transportation equipment industries accounted for one-third the failures and more than half the aggregate losses. The sharp rise in these two lines resulted principally from reconversion difficulties encountered by war contractors. Failures in manufacturing were largely responsible for the upswing in average liabilities per failure from only $11,000 in 1942 to more than $60,000 in 1946. Between 1945 and 1946, however, losses were heavier in nearly every line of industry and trade. Several large failures occurred in the last three months of 1946, involving liabilities in excess of $1,000,000 and bringing total losses to the highest level in four years.

The actual total number of concerns failing and the total volume of liabilities in 1946 is not alarming when compared to the last competitive pre-war year of 1939 when 14,768 insolvencies were reported with losses aggregating $182,520,000. Some adjustment must be made in comparing the failure statistics, and the degree to which our economy has expanded since 1939 should be considered. Our nation is a substantially larger enterprise, with civil population up 7.6% during the war. Business population shrank 12.3% at its low point—1944, then rebounded for a net gain of 1.2% over 1939. Furthermore, the wider scale of industrial production is indicated by an increase of 131.5% in National income between 1939 and 1946; the higher level of prices by a rise of 49.6% in wholesale prices. With this picture before us the prospect is not too disturbing, although the failure trend is definitely upward.

Dun & Bradstreet has a continuous record of commercial failure statistics beginning with 1857. One recurrent phenomenon is that failures decrease during war periods and increase in postwar years. There is a time lag of six months to a year before the impact of war or its cessation is reflected in the statistics. During the Civil War, insolvencies dropped from 6,993 for $207,210,000 in 1861 to a low point in 1863 of 495 for $7,899.000 with incomplete data on several of the Southern states. The drop was less apparent during the period of the Spanish American War, as the economy of the country suffered no great shock in this brief conflict.

In World War I (before American resources were called into the conflict) failures reached 22,156 for a total of $302,286,000 in 1915. They steadily decreased to a low point of 6,451 for a total of $113,291,000 in 1919. The collapse of inventory values because of inflated prices in the aftermath of World I is still familiar to many businessmen. Failures reached their peak in 1922 when 23,676 concerns failed for a total of $623,895,000.

History repeats itself with many variations, often enlarging on previous performances. Whether the curve of ascent in failures is to be gradual or abrupt in 1947 will be influenced by the speed with which the economy of the nation achieves stability and full production. Failures are always more numerous under normal competitive conditions and plentiful inventories than under war controls and shortages. It is also well to remember that a poor swimmer can sink going with the current as well as against it.

United Air Lines Pfd. Stock Oversubscribed

The 94,773 new shares of United Air Lines, Inc., 4½% cumulative preferred stock, recently offered to common stockholders on a pro-rata basis, have either been subscribed for or sold, it was announced Wednesday.

A total of 83,089 shares were subscribed for through exercise of subscription warrants, including 6,235 shares by the underwriters headed by Harriman Ripley & Co., Inc. The 11,684 shares taken up by the underwriters, and those subscribed for by them, were sold.

United Air Lines, in the offer which expired Feb. 25, 1947, extended to its common stockholders the right to subscribe to new shares of preferred at $100 a share at the rate of one share of preferred for each 19½ shares of common held. The preferred stock (par $100) will be convertible into common at the option of holders at any time prior to Jan. 1, 1957, unless previously redeemed, at the rate of one share of preferred for four shares of common.

Application has been made to list the new shares of 4½% preferred on the New York Stock Exchange.

United Air Lines has supplemented the preferred sale by arranging for the sale of $12,000,000 of 3½% debentures, due Feb. 1, 1957, to the Metropolitan Life Insurance Co. and the Mutual Life Insurance Co. of New York and for a $28,000,000 bank credit agreement with 35 of its depositaries through the National City Bank of New York.

These three steps are expected by United to provide necessary outside capital for completion of its purchase of new aircraft and for the construction and acquisition of other facilities. The company is spending approximately $85,165,000 in its large-scale expansion, with approximately $49,500,000 of this being raised through the new financing program and the balance coming from other funds of the Company.

National Aluminate Stk. Placed on Market

Public offering of 127,000 shares of $2.50 par value common stock of National Aluminate Corp. is being made today (Thursday) by an underwriting group headed by Lee Higginson Corp. Price to the public is $24 per share. The offering does not constitute new financing on the part of the company as the stock is being sold for the account of certain stockholders.

Capitalization of the company consists of 550,000 shares of common stock and no funded debt.

The Aluminum Company of America, which owns 27½% of the outstanding common stock, has been a substantial stockholder since the inception of the company in 1928 and is retaining its entire holdings.

Dewar, Robertson & Pancoast Announce

SAN ANTONIO, TEXAS—Dewar, Robertson & Pancoast, National Bank of Commerce Building, announce that John W. Pancoast, W. Lewis Hart, Creston A. King, and Edward H. Austin, all of whom have been associated with the firm for ten years or more, some as special partners, have been admitted to general partnership.

Robert L. Creek, formerly of Chicago, has joined the firm as Manager of the municipal bond department.

Reports on Resettlement Of Japanese Residents

WRA reports bearing on handling of those of Japanese ancestry.

The issuance of a series of ten publications covering final reports on various phases of the operations of the War Relocation Authority, which during the war handled the evacuation and final resettlement of more than 100,000 persons of Japanese ancestry, was announced on Feb. 6 by Secretary of the Interior J. A. Krug. The reports were prepared under the direction of Dillon S. Myer, who was Director of WRA for the greater part of its existence. The advices from the Department of the Interior said in part:

The principal publication of the series, titled "WRA—A Story of Human Conservation," is a comprehensive history of the entire operation. In it Mr. Myer recommended the establishment by Congress of an Evacuation Claims Commission to consider and pay justifiable claims for property losses or impairment of assets caused directly by the evacuation. He also strongly recommended modification of existing naturalization laws to permit properly qualified Japanese alien residents to gain American citizenship.

Describing in some detail the inner workings of the WRA program and the techniques which the agency used to help the evacuees regain status in American life, Mr. Myer said:

". . . the evacuation was not without its compensations and benefits. The War Relocation Authority firmly believes that in 1944 and 1945 the people of Japanese descent not only regained their pre-war status but actually achieved a higher level of popular acceptance than they have known since the first Japanese immigrants arrived at San Francisco in the early 1880's."

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DIVIDEND NOTICES

Allied Chemical & Dye Corporation
61 Broadway, New York

February 25, 1947

Allied Chemical & Dye Corporation has declared quarterly dividend No. 104 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable March 20, 1947, to common stockholders of record at the close of business March 7, 1947.

W. C. KING, *Secretary*

American Power & Light Company
Two Rector Street, New York, N. Y.
PREFERRED STOCK DIVIDENDS

A dividend of $1.50 per share on the Preferred Stock ($6) and a dividend of $1.25 per share on the $5 Preferred Stock of American Power & Light Company were declared on February 26, 1947, for payment April 1, 1947, to stockholders of record at the close of business March 10, 1947.

D. W. JACK, *Secretary and Treasurer.*

DIVIDEND NOTICES

INTERNATIONAL SALT COMPANY
475 Fifth Avenue, New York 17, N. Y.

A dividend of FIFTY CENTS a share has been declared on the capital stock of this Company, payable April 1, 1947, to stockholders of record at the close of business on March 14, 1947. The stock transfer books of the Company will not be closed.

HERVEY J. OSBORN, *Secretary.*

INTERNATIONAL HARVESTER COMPANY

The Directors of International Harvester Company declared a quarterly dividend of one dollar ($1.00) per share on the common stock payable April 15, 1947, to all holders of record at the close of business on March 15, 1947.

SANFORD B. WHITE, Secretary.

E. I. DU PONT DE NEMOURS & COMPANY

WILMINGTON, DELAWARE: *February 17, 1947*

The Board of Directors has declared this day a dividend of $1.12½ a share on the outstanding Preferred Stock, payable April 25, 1947, to stockholders of record at the close of business on April 10, 1947; also $2.00 a share, as the first interim dividend for 1947, on the outstanding Common Stock, payable March 14, 1947, to stockholders of record at the close of business on February 24, 1947.

W. F. RASKOB, *Secretary*

Johns-Manville Corporation
DIVIDEND

The Board of Directors declared a dividend of 75¢ per share on the Common Stock payable March 10, 1947, to holders of record March 1, 1947.

ROGER HACKNEY, *Treasurer*

The Board of Directors of The Davison Chemica Corporation has declared a quarterly dividend of Twenty-five cents ($.25) per share on its capital stock, payable March 31, 1947, to stock-holders of record at the close of business March 10, 1947.

M. C. ROOP, *Secretary*

Baltimore 3, Md.
February 20, 1947

THE DAVISON CHEMICAL CORP

CANADIAN PACIFIC RAILWAY COMPANY
Dividend Notice

At a meeting of the Board of Directors of Canadian Pacific Railway Company held today a final dividend of three per cent. (seventy-five cents per share) on the Ordinary Capital Stock in respect of, and out of earnings for, the year 1946, was declared payable in Canadian funds on March 31, 1947, to shareholders of record at 3:00 p.m. on February 24, 1947.

The Directors deem it desirable to point out that this dividend of three per cent. making a total dividend payment of five per cent. in respect of operations for the year 1946, is made possible only by a considerable increase in the income from investments and in the earnings from Ocean Steamships. Fixed charges have been sharply reduced but net revenue also was substantially reduced because of the impact of large wage increases established in 1946 and because of increases in cost of materials and supplies. Without the assistance from investments and Steamships the payment of a five per cent. dividend for the year would have been impossible. The Directors wish to add that future dividend action must necessarily depend upon a material improvement in railway revenues.

By order of the Board.

Frederick Bramley,
Secretary

Montreal, February 10, 1947.

DIVIDEND NOTICES

KENNECOTT COPPER CORPORATION
120 Broadway, New York 5, N. Y.

February 21, 1947

A cash distribution of twenty-five cents (25c) a share and a special cash distribution of twenty-five cents (25c) a share have today been declared by Kennecott Copper Corporation, payable on March 31, 1947 to stockholders of record at the close of business on February 28, 1947.

A. S. CHEROUNY, *Secretary.*

SOUTHERN PACIFIC COMPANY
DIVIDEND NO. 117

A QUARTERLY DIVIDEND of One Dollar ($1.00) per share on the Common Stock of this Company has been declared, payable at the Treasurer's Office, No. 165 Broadway, New York 6, N. Y., on Monday, March 24, 1947, to stockholders of record at three o'clock P. M., on Monday, March 3, 1947. The stock transfer books will not be closed for the payment of this dividend.

J. A. SIMPSON, Treasurer.

New York, N. Y., February 20, 1947.

LOEW'S INCORPORATED
"THEATRES EVERYWHERE"

February 21, 1947

THE Board of Directors on February 19th, 1947 declared a quarterly dividend of 37½c per share on the outstanding Common Stock of the Company, payable on the 31st day of March, 1947 to stockholders of record at the close of business on the 11th day of March, 1947. Checks will be mailed.

CHARLES C. MOSKOWITZ,
Vice President & Treasurer

ELECTRIC POWER & LIGHT CORPORATION

Dividends on $6 Preferred Stock and $7 Preferred Stock

The Board of Directors has this day declared a dividend of $1.50 per share on the $6 Preferred Stock and a dividend of $1.75 per share on the $7 Preferred Stock of this Corporation, payable April 1, 1947, to stockholders of record at the close of business March 11, 1947.

H. F. SANDERS,
February 26, 1947. *Treasurer*

RKO

RADIO-KEITH-ORPHEUM CORPORATION

THE Board of Directors has declared a quarterly dividend of 30 cents per share on the Common Stock of the Corporation payable on April 1, 1947 to stockholders of record at the close of business on March 15, 1947.

J. MILLER WALKER
Secretary

February 18, 1947

SOUTHERN UNION GAS COMPANY
Dividends on Preferred and Common Stocks

The Board of Directors of Southern Union Gas Company has declared the regular quarterly dividend of $1.06¼ per share on the 4¼% Cumulative Preferred Stock of the Company, payable March 15, 1947 to stockholders of record March 1, 1947. Checks will be mailed.

The Board of Directors of Southern Union Gas Company has declared the quarterly dividend of 15c per share on the Common Stock of the Company, payable March 15, 1947 to stockholders of record at the close of business March 1, 1947. Checks will be mailed.

H. V. McCONKEY,
Secretary and Treasurer

January 24, 1947.

DIVIDEND NOTICES

OFFICE OF NORTHERN STATES POWER COMPANY (WISCONSIN)

The Board of Directors of Northern States Power Company (Wisconsin), at a meeting held on February 18, 1947, declared a dividend of one and one-quarter per cent (1¼%) on the Preferred Stock of the Company, payable by check March 1, 1947, to stockholders of record as of the close of business February 20, 1947, for the quarter ending February 28, 1947.

N. H. BUCKSTAFF, Treasurer.

TENNESSEE CORPORATION

A dividend of 25¢ per share has been declared, payable March 25, 1947, to stockholders of record at the close of business March 5, 1947.

61 Broadway
New York 6, N. Y.
February 18, 1947.

J. B. McGEE
Treasurer.

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of 50 cents per share and an additional dividend of 25 cents per share on the Company's capital stock, payable March 15, 1947, to stockholders of record at the close of business February 28, 1947.

H. F. J. KNOBLOCH, *Treasurer.*

UNITED GAS CORPORATION
SHREVEPORT, LOUISIANA

Common Stock Dividend

The Board of Directors has this date declared a dividend of twenty cents (20¢) per share on the common stock of the Corporation, payable April 1, 1947, to stockholders of record at the close of business on March 11, 1947.

J. H. MIRACLE,
February 26, 1947 *Secretary*

20th CENTURY FOX

TWENTIETH CENTURY-FOX FILM CORPORATION

February 20, 1947

A quarterly cash dividend of $1.12½ per share on the outstanding Prior Preferred Stock of this Corporation has been declared payable March 15, 1947 to the stockholders of record at the close of business on March 3, 1947.

A quarterly cash dividend of $.37½ per share on the outstanding Convertible Preferred Stock of this Corporation has been declared payable March 31, 1947 to stockholders of record at the close of business on March 8, 1947.

A quarterly cash dividend of $.75 per share on the outstanding Common Stock of this Corporation has been declared payable March 31, 1947 to stockholders of record at the close of business March 8, 1947.

DONALD A. HENDERSON,
Treasurer

WELLINGTON WF FUND

A MUTUAL INVESTMENT FUND
INCORPORATED 1928

69th Consecutive Quarterly Dividend

The Directors have declared the sixty-ninth consecutive quarterly dividend distribution on shares of Wellington Fund. This dividend of 20c per share is payable March 31, 1947 to stockholders of record March 14, 1947. 10c per share is from ordinary net income and 10c per share represents a special dividend from net realized securities profits.

WALTER L. MORGAN
President

Philadelphia 7, Pa.

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http://fraser.stlouisfed.org/

New York Brokers Almost Equally Divided on Question of Saturday Closings of N.Y.S.E.

(Continued from page 1120)

tive to their views for or against Saturday closings and higher commission rates. The desire for additional trading time seems to be considerably stronger among the larger houses, particularly the wire houses, however. Perhaps it could be said that the smaller firms are about evenly divided on this question but that the big houses, if not entirely indifferent to the matter, and this group is in the minority, stand three-to-one or so in favor. There is no doubt that the brokers tend to associate the question of Saturday closings and longer trading time together and feel that if the Exchange closes down on Saturdays, it should keep open longer the other days. Floor brokers, it would seem, too, probably don't object as a group to working an additional half hour a day, if they should be called upon to do so but, like the small firms, they are about evenly divided on the question of Saturday closings.

A primary consideration on the twin issues of the Saturday closings and additional trading time is the effect that such moves would have upon the newspapers which carry the stock market quotations. The Exchange itself is inclined to take the view that the two matters are separate subjects for consideration but since brokers continually associate the two so closely in their minds it is difficult really to disentangle them and keep them as separate and distinct issues. Though there are some brokers who feel the newspapers will just have to adjust their deadlines somehow if trading time is extended, there are others who are concerned over the very real publishing difficulties some newspapers anyhow will run into in such an eventuality. Some brokers don't like the thought that Saturday closings might mean no stock market reports at all in the Sunday newspapers. Brokers generally recognize the advertising qualities of the stock market quotations and don't want the newspapers to curtail this service. Floor brokers would hate to see the newspapers delay publication of their editions carrying Wall Street closing prices since they like to study the reports, getting ready for next day's trading, as it were, on their trip home by commuter's train. However, if the market closes later, it is likely floor brokers wouldn't be starting home until later themselves and by that time the editions carrying the closing prices would probably be out on the street.

The reasons given by brokers in favor of Saturday closings are many and varied. Say they: The trend toward a general five-day work week is unmistakable and the brokers should go along; the Exchange should close down if the banks do since the banking and brokerage industry are all part of the same thing; so little extra business is done on Saturday, it isn't worth while to keep open (some of the big houses are making a detailed study of exactly how much business they have been doing Saturdays); a one-and-a-half day week-end is not long enough to provide the rest and opportunities for recreation to those employed in an industry, like brokerage, which makes such heavy demands upon their nervous energy.

Likewise, numerous reasons are given in opposition to Saturday closings. It is argued, for instance, that a two-day interval is too long a period of inactivity in an industry, one of whose chief functions is to register the hour-to-hour and day-to-day changes in the moods and estimates of investors all over the world. A legal holiday on a Friday or Monday, too, would lengthen the period of inactivity to three days and a legal holiday on a Thursday or Tuesday could also easily have the effect of slowing down the market for altogether too long a period. An example of what is meant here is seen in the summer months when in a desire to capitalize on a long week-end the exodus out of Wall Street commences around noon on Fridays. It is also argued that in the brokerage business, where decisions are made very largely from psychological considerations, business that would ordinarily be done on Saturday would be lost for good if the Exchange shuts down on Saturday. An argument given in this connection is that what the brokerage industry—like the country as a whole—needs is not less work but more work and that it is impossible to do in five days what requires five-and-a-half days to do. Of course, some firms that do other than strictly a New York Stock Exchange business would have to keep open Saturdays anyhow, regardless of what the other houses do. A few brokers can't see closing down 27 days a year which is what they would be doing if they shut their doors Saturdays. Overhead continues, they say, regardless of whether their offices are open or closed Saturdays and they would prefer to keep open to do such business as they could on that day. There are some brokers, however, who feel that the five-day week is in no way related to Saturday closings since it is always possible to stagger working time of the staff in such a way that no one works more than five days a week but the office keeps open six days a week.

The interesting opinion has been advanced that if the New York Stock Exchange decides to keep open Saturdays the banks of New York will have to maintain some sort of a skeleton staff on Saturdays to protect the banks' interest in the event of an unfavorable stock market on that day. It is thought possible, too, that the banks, anticipating such a necessity, might be straining every nerve, might decide to use all the influence they have, to convince the brokerage industry to shut down Saturdays.

Because of the complexities of the problem, there are many brokers who feel that the Board of Governors of the New York Stock Exchange will be unable to arrive at any quick decision on this matter when it takes it up for consideration next week.

The question of additional trading time has been thrust to the fore because Western brokers have made it known that another half hour of trading would make a big difference to them. There are many brokers in New York, some of whom do a Western business themselves, who sympathize with the Western brokers in their problem and who consequently are perfectly willing to go along with them on this issue. In the West, it is said, brokers' offices become like morgues—early in the day—shortly after the ticker says the market in New York is closed. The customers just walk out *en masse*. One large New York house with nation-wide connections says that 20% of all its business now comes from the Pacific Coast and 40% from the Middle West. Some brokers who are opposed to Saturday closing are in favor of adding another half-hour to trading time. Others favor Saturday closings on the condition that the market is kept open another half hour each day.

Some brokers who are opposed to any increase in the commission rates feel that high rates could have the tendency to drive some business to the over-the-counter market and some brokers say they won't be able to make up their minds on this question until they can get some idea as to just what is actually being contemplated in the way of rate revision. The plan under consideration, it is understood, would base commission rates on dollar volume of business rather than on a per share basis. It is argued very convincingly, too, that in times of good business, that is, large volume of trading, higher rates would merely have the effect of increasing the amount of the income taxes to be paid to the government and in times of poor business, the higher rates wouldn't make much difference in the size of the revenue anyhow. Some claim higher rates would tend to make the market less liquid as speculative trading would be discouraged. There is a law of diminishing returns that can not be overlooked, some brokers point out.

However, the brokers who favor higher rates say that the increased commissions would tend to offset the higher costs they must now pay to do business. At present, it is possible, in some cases, for transactions involving as much as $16,000 to net commissions of no more than $35, they claim. That could happen in no other line of business, they say. On numerous small transactions, too, the brokers sometimes actually lose money, they point out. At present also, brokers are called upon by their customers to perform many services for which they receive no remuneration. It is probably pretty safe to say that most brokers expect that rates will be hiked upwards a little on the average. The Board of Governors of the Association of Stock Exchange Firms will receive a report on the subject of higher rates from a special committee which has been studying the subject at its meeting next Wednesday. It wouldn't be surprising if the Board decided to recommend higher commission rates to the Board of Governors of the New York Stock Exchange.

Sills, Minton Offers Standard Factors Stock

Sills, Minton & Co. and associates offered to the public Feb. 26, $250,000 Standard Factors Corp. 4¾% 15-year convertible subordinated debentures, due Dec. 31, 1960, and 60,000 shares of the company's $1 par value common stock. The debentures were offered at par plus accrued interest and the common stock at $5.25 per share.

In a recent statement preliminary to the company's annual report, Theodore H. Silbert, President, reported purchases for the year ended Dec. 31, 1946, totaling $40,237,612 compared with $24,311,117 for 1945, an increase of 65%.

Upon completion of the sale of the securities the capitalization of Standard Factors Corp. will consist of a funded debt of $1,213,500; 36,000 shares of 75-cent cumulative preferred stock, without par value, and 199,800 shares of $1 par common stock.

Proceeds from the sale of the securities will be used for additional working capital. The company, incorporated in 1932, finances sales and other current operations of manufacturers, jobbers, distributors and processors by purchasing or making advances on accounts receivable, notes and other negotiable documents or assets.

With du Pont, Homsey Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—G. M. Honicker has become associated with du Pont, Homsey Co., 31 Milk Street.

Alfred Eckstein Dead

Alfred Eckstein, a member of the New York Stock Exchange since 1902, died at his home at the age of 67.

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Old Reorganization Rails
Domestic & Foreign Securities
New Issues

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