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The COMMERCIAL and FINANCIAL CHRONICLE

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Black Market Trend in Gold And Dollars

Noting recent black market decline in price of gold and U. S. dollars in Europe, correspondent ascribes cause partly to drastic measures in France and other continental countries to keep prices down and control dealings in exchange, and partly to increase of production in Europe. Sees favorable international development in reversal of black market trend.

BASLE, SWITZERLAND.—The last few months, witnessed a sharp fall in the black market quotation of gold, dollar notes and other hard currencies in Europe. While in China their rising trend still continues, on the European continent they have undergone a noteworthy depreciation. Reports from the black markets of Paris, Brussels, Amsterdam and Milan show substantial fall in the price of gold coins, dollar notes, Swiss franc notes and pound notes. (The latter are regarded as a hard currency in countries whose currencies are relatively weak).

On the other hand, the value of pound and dollar notes in the free markets of Switzerland has increased. The discount on these notes compared with the official exchange rates has contracted materially.

These apparently conflicting tendencies form part of the same trend—they indicate a recovery in the weak continental currencies. The reason why the dollar and pound notes have appreciated in

(Continued on page 1275)

U. S. and the Defense of Turkey

By EGON KASKELINE

Warning of steady deterioration of Turko-Russian relations, political economist declares if United States wants to protect its invested capital and Middle East oil interests as well as promote world peace, we must prevent Turkey from becoming Russian satellite. Calls her vital road-block against Soviet expansion. Citing Turkey's past economic self-sufficiency and nationalism, including discriminations against foreign capital, Mr. Kaskeline predicts change to cooperative attitude, and urges us to welcome closer relations.

Egon Kaskeline

The United States has become a Middle Eastern power but the American people in their great majority are not yet aware of this fact. More than $500,000,000 of American capital has been invested in recent years in a region which is one of the danger-spots in future world developments. If this country wants to promote a peaceful and stable post-war world, it must prevent Russia from encroaching on the Middle East. The United States must encourage and assist the nations of the East to remain or to develop into free and prosperous states.

Turkey is the most important test case for American willingness to stay in the Middle East and to defend its political and economic interests in this region. Turkey is the key to the Middle East or rather one of the three keys, the others being Iran and Greece. Turkey is the one point in the Middle East where Russian and American interests clashed openly. If Turkey must give in to foreign pressure and becomes a Russian satellite state, the whole world balance of power will be overturned. The immediate conse-

(Continued on page 1272)

CIO's 'Mr. Rich' Beats Income Tax

By HARLEY L. LUTZ
Professor of Public Finance, Princeton University

Dr. Lutz comments on an article published in the "CIO News," which pictures devices whereby a "Mr. Rich" with income of "over $236,000" is enabled to substantially reduce his income tax. Accuses CIO article of libeling Internal Revenue Bureau, since income tax regulations prohibit or disallow presumed deductions taken by Mr. Rich. Denies trend is for rich to buy more tax exempt securities and scores CIO's propaganda under guise of education.

Dr. Harley L. Lutz

The CIO's campaign to foment class hatred and antagonism was given another boost in the "CIO News" of Feb. 17. This time it was a story of how "Mr. Rich" beats the income tax law. Like the companion piece in an earlier issue, in which the tax case of the little guy was distorted and misstated, this story is filled with fraudulent assertions which are so obvious that they must be regarded as intentional and not as a product of genuine misunderstanding.[1] They constitute, in fact, a libel on the integrity of the Bureau of Internal Revenue and its staff.

The story of alleged tax evasion by "Mr. Rich" is presented as a double-page spread in the regular issue, with the usual technique of cartoon and caption which is supposed to be so effective at the infantile level. The medium is

(Continued on page 1282)

[1] "The Case of the Vanishing Paycheck," issued as a supplement to "CIO News," and discussed by the present writer in "The Commercial and Financial Chronicle" of Feb. 6, 1947.

Outlook for Security Prices

By RAGNAR NAESS*
Senior Partner, Naess & Cummings

Citing market's present paradox with prices down in face of unprecedentedly good industrial and general economic conditions, analyst holds historical record indicates market's forecast of reduced earnings is correct. Points out distortions resulting from intensity of boom, disequilibria in consumer's goods sector, abnormality of present high capital goods expenditures, and likelihood of recent large export balances tapering off. Concludes during coming months prices, production, employment and national income may decline, whose effect will be accentuated by high corporate break-even points. Feels stock prices are more likely to fall than rise.

Ragnar D. Naess

It is not often that a more appropriate time can be found to discuss the outlook for securities and particularly for common stocks. Seldom has there been more confusion of thought and diversity of opinion. Business conditions are prosperous—money is plentiful, employment at a new high record, individual and corporate savings huge, corporate earnings high, and dividends increasing. The public needs many things that they have been unable to buy for a long time and there is an inadequacy of housing, automobiles, and many other goods. Yet we find investors and businessmen in a cautious frame of mind and stock prices much below the level of last spring and summer when

(Continued on page 1273)

*A talk by Mr. Naess before the Harmonie Club, New York City, March 1, 1947.

Will There Be a Recession in 1947?

By LEO CHERNE*

Executive Secretary, Research Institute of America

Mr. Cherne maintains expectation of early depression is unwarranted, but expresses pessimism over long-term outlook. His reasons for short-term optimism are: (1) improbability of war; (2) improved labor situation; (3) record-high profits; (4) end of New Dealism; (5) enormous backlog of savings; and (6) military pump-priming. As long-term bearish elements he lists: (1) impending financial crisis in England; (2) renewed rise in commodity prices; (3) maldistribution of consumer purchasing power related to wages; (4) permanent tendencies toward unemployment, and (5) illogical debt and tax policies.

I have been requested to give my views, which are highly personal and in some respects undoubtedly no better than yours, on the possibility of a recession in 1947. I will be discourteous by exceeding the limits of the topic. Because I think the question of recession in 1947 is itself a very small aspect of other questions which will decide the first area of discussion.

Leo. M. Cherne

When I was invited by Wilfred May to address this luncheon, I think I would have answered the question, Will there be a recession in 1947? With as close to a categorical no as you would have been likely to hear.

Last fall, when business pessimism became almost universal, I found myself once again a minority voice. I didn't believe the reasons for pessimism last fall and I think in the main my reasons for disbelief have been supported by the facts. But I am afraid I am doomed to be a minority voice.

In 1944 I earned myself an unenviable reputation for pessimism, and I must confess that in any long-range terms I haven't the faintest reason to alter my long-range pessimism. But on a shorter run it seemed inconceivable to me that our business community could be as unanimous as it was from September to January in its expectation of recession in 1947, for these reasons—and now I would like to begin an examination of the factors which would make for that recession or avoid it.

Business reasoning, and to some extent financial reasoning last fall, rested primarily on these factors:

In September and October a growing fear of war with the Soviet Union.

Secondly, a growing fear of an outbreak of disastrous labor disputes and the stoppage of industry in large sections through strike.

And third, a growing fear that

(Continued on page 1278)

*Special transcript for the "Chronicle" of an address by Mr. Cherne before the Harmonie Club, New York City, March 1, 1947.

England Today

By HECTOR McNEIL*

British Minister of State, and Delegate to UN

British leader denies relinquishing of Empire has been forced on his country by economic and financial factors, but says it has occurred as result of people's mandate when they elected Labor Government. Declares Britain granted freedom to India and Burma of her own free will; hopes they will voluntarily remain within the Commonwealth; and says Britain is not generally withdrawing from areas of operation. Predicts shortness of cash and general economic difficulties will be conquered by his country with same "guts" that overcame her wartime crises.

Because of a series of stories about Greece, Egypt and India and Burma people here in the United States have been relating the two conditions and asking "Is Britain so feeble at home that she is enfeebled abroad" and it is to that question that I propose to address myself for a few moments.

Hector McNeil

There is a confusion of thought here that I want to tackle right away. Our decision to grant self government to India, to hold conversations with Burma, to register with the Trusteeship Council trusteeship agreements for Tanganyika, Togoland and the Cameroons, our voluntary decision to negotiate for a new treaty with Egypt — none of these acts, not one of them, has been enforced upon us by our economic, our financial or our commercial situation. These are all decisions taken by the British Labor Government and freely and formally endorsed by the British people at the last election. They are decisions not forced upon us by any physical compelling factors coming from outside.

No Bullying by Others

I'd like however, to make two points almost in parenthesis. We are a sovereign nation. We are also a people experienced in schooling other people toward self-government. We've had more experience in that complex and responsible business than any other people in the world and more success may I immodestly add. And we will not be browbeaten, bullied and embarrassed into granting self-government by anyone, and I mean anyone, until we, in consultation with the people concerned, have decided that the time for self-government has arrived.

Secondly, because we're not fools and believe our influence to be good, we seek in no way to

(Continued on page 1283)

*An address by Mr. McNeil before Overseas Press Club, March 4, 1947.

INDEX

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Outworn Diplomacy Must Be Abandoned!

By ROBERT R. YOUNG*
Chairman of the Board, Chesapeake & Ohio Lines

Mr. Young declares continued failures of age-old diplomatic methods can only be remedied by integrity and common sense of the common man. Warns against world domination by any single Power. Declares UN, without enforcement power, is merely "a salon and epitaph of civilization." Proposes UN Charter be specifically amended to (1) accomplish universal disarmament; (2) create a court of world inspection to prevent rearmament; and (3) deprive member states of right to secede from UN.

Robert R. Young

There is only one thought which engrosses all mankind—to halt the drift to new earth-shattering war.

All signs indicate that America and Russia are each resigned to this eventuality, although not one single convincing reason has yet been advanced why this should be so.

Our diplomats of both parties are strolling arm in arm down the same lover's lane, behind the hedges, where twice before they got the everlasting hell stung out of them.

Intervention of Common Man

These age-old patterns can only be shattered by the intervention of the common man. If there is any reason for my being here tonight it must be because I have demonstrated the power of the common man, voiced through editorial pens, such as yours, to attain such things as competitive bidding for securities, and through train service, when all other appeals had failed.

There must be some analogy between the fact that hogs had received better service for generations at Chicago than through-travelers, and the fact that the common man has also been asked to sacrifice everything for war while his leaders refuse to concede anything for peace.

Yes, I am quite ready to accept your invitation to meddle in in-

(Continued on page 1277)

*An address by Mr. Young before the Overseas Press Club, New York City, March 4, 1947.

Productivity, Wages and Prices

By JULES BACKMAN*
Associate Professor of Economics, New York University

Dr. Backman denies widespread assumption productivity can serve as miraculous cure-all for economic ills. Asserts price increases rather than productivity improvement made wartime wage increases possible; and termination of price controls coupled with expansion of production will increase overall total of output per man-hour. Concludes cost of living index has reached peak; food, clothing and textile lower prices are probable; hard goods will fall unless further large wage increases occur; and rents will rise. Predicts extent of living costs decline will depend on wages, citing past close relationship between unit labor costs and finished goods prices. Maintains in those exceptional sectors where profits would permit either wage rises or price decreases, national interest requires alternative of lower prices.

Jules Backman

A careful reading of current economic literature dealing with wages and prices could lead one to the inescapable conclusion that the solution for all of our industrial ills is found in increasing productivity. Have wages increased too much, let's counter this by an increase in productivity. Are prices too high, let's increase productivity and get them down. Are profits too low, let's increase productivity in order to raise them. Are living standards too low, let's increase productivity. On the basis of many of these statements, it would be easy to believe that productivity is the sulfa or penicillin

(Continued on page 1270)

*An address by Dr. Backman before American Management Association, Chicago, Feb. 24, 1947.

Letter to the Editor:

State Transfer Stamp Tax and Clearing Agents

Fred Fox of P. F. Fox & Co. discusses clearing of isolated transactions by dealers themselves under New York State Tax Department ruling, allowing transfer taxes to be paid by check by clearing agents.

Editor, Commercial and Financial Chronicle:

A few weeks ago you inserted an article to the effect that there seemed to be an inconsistency in the recent ruling by the New York State Tax Department allowing all taxes due on stock transfers cleared by a bank or dealer to be paid by check rather than by gummed stamps. In this article you stated that where a firm who clears through a bank or another firm had written to the State Tax Commission for this privilege, they could not take advantage of this bookkeeping expediency if they subsequently desired to clear a transaction or transactions themselves.

May I call your attention to your innocent misinterpretation of this rule. The banking institutions or firms who clear for dealers would be more than willing to affix the rubber stamp on the delivery slip of transactions cleared by such respective dealer even though this transaction was not cleared by the clearing agent. More so, I'm sure such clearing agent would not exact a clearance charge, and that they thoroughly understand at times when it becomes necessary, most all firms do some small degree of clearing.

The conclusions are simple. The New York State Tax Department, has given the security fraternity the right to use a rubber stamp instead of going through the bother of purchasing stamps, etc., which new ruling has been looked upon with great favor by our business, had a constructive purpose of time saving of bookkeeping details. Therefore, it is paramount to keep centralized the privilege of using a rubber stamp in lieu of the purchase of gummed tax stamps and in that way it saves the firm who desires to clear transactions a great deal of time and trouble.

It is proper at this time to state that Mr. Mortimer Kassel, who has been consulted very often by the investment security fraternity, has been extremely helpful to all in clarifying certain matters which come up so often in this business.

Therefore, any dealer wishing to clear his own transactions, in spite of the fact that he has clearance arrangements, can do so and still take advantage of the new expedient law by having his clearance agent, without charge to him, affix the rubber stamp, thereby eliminating his necessity of purchasing stamps and applying such charge to his clearance account.

Any questions pertaining to this matter will be gladly answered by me.

Sincerely,
P. FRED FOX,
P. F. Fox & Co.

New York City
Feb. 26, 1947.

BUSINESS BUZZ

"I wish you'd stop referring to me as 'your obsolete security'!"

Attorney General Goldstein Defends Witch Hunt

In reply to Kernan, Chairman of District Number 13 of NASD, he denies he exceeded his authority when he added a formal order or subpoena to questionnaire sent to upstate security dealers. Says subpoena was no implication of fraud and defends demand for earnings statements and lists of customers. The "Chronicle" still adheres to position questionnaire is a calumny against securities industry.

The "Chronicle" has received copies of letters, dated March 3, exchanged between Francis Kernan, Chairman of District No. 13 Committee of the National Association of Securities Dealers and Hon. Nathaniel L. Goldstein, Attorney General of New York State, in which Mr. Kernan discusses questionnaire sent out by the Attorney General, to all securities dealers in New York State north of New York City area, who are not members of the New York Stock Exchange, accompanied by a subpoena and demanding information which invaded ordinary privacy of business operations. This questionnaire, a copy of which was printed in the last issue of the "Chronicle" (p. 1150) caused general indignation among security dealers throughout the State.

A copy of the correspondence follows:

Letter from Francis Kernan, Chairman of District No. 13, National Association of Securities Dealers, Inc. to Hon. Nathaniel L. Goldstein, Attorney General of the State of New York:

Dear Sir:

There have been brought to our attention the general questionnaire and order, dated Feb. 11, 1947, which were served by mail by your office on Up-State securities dealers, many of whom are members of this Association.

Many of our members to whom the order and questionnaire were sent have registered with us substantial opposition to your action in sending out the order and questionnaire. The purpose of this letter is to explain to you the principal objections that have been raised and to seek clarification of the questions involved. These questions are:

(1) As the questionnaire was accompanied by a formal order, or subpoena, containing recitals of criminal offense if not obeyed and as the statutory authority invoked by you pertains to the investigation of fraud, some resentment has arisen on the grounds that there might be an implication of fraud on the part of security dealers to whom the questionnaire was sent, even though the

(Continued on page 1283)

Washington . . . And You

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

New Deal law enacted in 1935 authorizing the Federal Government to acquire by 1985 virtually all important hydro-electric projects and thereby dominate the nation's whole economy will be reappraised by Congress because Federal Power Commission officials this year made the mistake of striving to (1) extend their jurisdiction, and (2) expand their budget. Watch for early developments.

* * *

FPC strategy backfired when the agency first, demanded a 47% budget increase and, second, ordered five small Connecticut manufacturing establishments to apply for Federal license because they produce part of their own electricity with water power. That aroused the ire and suspicion of Connecticut's Republican Representative Miller. He demanded a showdown, got it, salvaged the small manufacturers from bowing to FPC, and spotlighted unpublicized FPC operations.

* * *

The Federal Power Act authorizes FPC to classify as public utilities and impose a Federal license on hydroelectric projects on navigable streams. New Deal amendments, affixed in 1935, stipulate that after 50 years the Government may acquire all licensed projects by paying net investment costs but not more than fair value. Written into each license issued by FPC is a contract embodying this Federal capture clause. Thus the Government contrives to seize the hundreds of establishments upon which licenses have been levied by FPC.

* * *

Current congressional alarm over this industrial nationalization potential stems from disclosure by Congressman Miller that FPC has hatched plans to foist license and capture contracts on unnumbered small manufacturers hitherto considered immune from FPC intrusion. Before the war, FPC had applied its jurisdiction to only outright hydroelectric

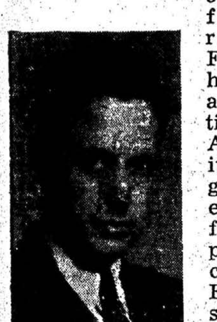
(Continued on page 1266)

The Fund Opens Shop

By HERBERT M. BRATTER

Mr. Bratter does not expect current inauguration of International Monetary Fund to bring early rush of customers, because of lack of agreement over par values, applications for credits to World Bank, and some countries' preference for first using their gold and hard currencies. Cites potential danger of confusing short-term with long-term risks. Holds Britain's problem and growing worldwide trend toward bi-lateralism will severely test the Institution.

The formality of the Fund's hanging up an "Open for Business" sign on March 1 is not expected to bring an immediate rush of customers for several reasons. The Fund is not handing out any inauguration souvenirs. And some of its more hungry customers either will be for the present prohibited access to the Fund's resources because they have not an agreement with the Fund as to their par values, or inhibited because they have already taken a place in another queue: that in front of the loan teller's window at the infant World Bank. Therefore it may be weeks or longer before any conclusions can be drawn within the Fund as to the immediate role of that institution in world financial affairs, and even longer before the general public can find out, for the Fund will not disclose individual transactions of members. Probably its quarterly and annual reports will not be too detailed, either.



Herbert M. Bratter

Another reason for expecting the dollar-hungry world to curb its demands on the Fund at this time is, according to Fund opinion, that quite a few member countries have indicated that they view the Fund as their second line of monetary defense and will first use what gold and hard currencies they may already have. Were they to borrow from the Fund now and in a few months disclose an increase in their gold and foreign exchange reserves—thus incurring the Fund's repurchase clauses—the Fund, it is said, would thence-

(Continued on page 1276)

Observations . . . .

By A. WILFRED MAY

IS THE U. S. MERELY REDISTRIBUTING THE CHIPS? With the World Bank and Fund the New Croupiers

At this time of opening-for-business by the two Bretton Woods institutions—the Monetary Fund and the World Bank—a prognosis of their operations as well as realistic analysis of our long-term foreign trade and exchange status is coincidentally offered by new official figures on the dollar-supply situation.

A. Wilfred May

Apart from the enormous lump-sum amounts we have loaned abroad in the last six years—amounting to 3¼ billion dollars for UNRRA and private agencies of relief, and over 66 billions in other ways—the worth of the World Bank's securities must in the long run be assayed in the light of our current and recurrent trade balances. As that institution's new President, John McCloy, remarked last week, its securities must be good as well as attractive; otherwise the loans merely would be a distribution of capital. In Mr. McCloy's concept of the world's present "half-rubble and half-skyscraper state," the new institution is to provide working capital as a bridge to make private capital work. But in this regard, as well as in conforming with the keynote motivation of taking "calculated risk" as lending policy, we must frankly and realistically face the facts-of-life concerning the actual nature and degree of that risk. This must be appraised in terms of the actual return in real wealth periodically receivable in exchange for our outpourings of goods and services, the lack of which is ultimately evidenced in our foreign creditors' shortage of dollars with which to make interest and amortization payments to us.

The Trade Drain on Dollars

The above-mentioned data which emanate from the Department of Commerce show that last year we supplied to foreign countries goods valued at approximately $12.3 billion; but received from foreign countries merchandise in the approximate amount of only $5.1 billion—leaving an excess of goods supplied over goods received of $7.2 billion. The total credit balance payable to the United States on account of goods and services was $8.2 billion!

This deficit on the part of foreign countries was financed in three ways: (a) by contributions via UNRRA, Lend-Lease, civilian supplies to occupied areas, totaling $3.2 billion: (b) by loans and investments, through Export-Import Bank, Lend-Lease credits, surplus property credits, British loan, other funds, totaling $3.5 billion, and (c) use of foreign gold and dollar resources of $1.4 billion. The use by foreign countries of credits from the United States Government authorized since the end of the war already has amounted to $3.7 billion.

The prospect for 1947, as confirmed by Export-Import officials, is that this foreign trade pattern will continue in 1947. Our commercial exports of goods should increase, but other transfers of goods will decline. Our imports are expected to rise: the foreigners' deficit on account of goods and services being estimated at about $7 billion.

The United States Chamber of Commerce estimates 1947 exports at $11 billion, and imports at $6 billion; leaving foreigners' deficit at $5 billion.

Continuance of this situation means that dollars must be permanently supplied, with foreign countries being enabled to draw down on so-called credits of one kind or another. Whether it be called lending or subsidizing, we will have to make the deficit good by utilizing the facilities of the International Bank, the Monetary Fund, the uncommitted lending authority of the Export-Import Bank, the

(Continued on page 1262)

Howard Selover With Bache in Minneapolis

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Howard R. Selover has become associated with Bache & Co., Chamber of Commerce Building. Mr. Selover was formerly with C. S. Ashmun Co. and prior thereto conducted his own investment business in Minneapolis as a member of the Minneapolis-St. Paul Stock Exchange.

Fred Cordes Now With Bramman-Schmidt-Busch

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Fred H. Cordes is now with Bramman-Schmidt-Busch, Inc., Boatmen's Bank Building, members of the St. Louis Stock Exchange.

With Glore, Forgan & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — J. Edward Jones, Jr. has been added to the staff of Glore, Forgan & Co., 135 South La Salle Street, members of the New York Stock Exchange.

Interest in Higher Commissions Mounts as NYSE Studies Advisability of Revising Rates

By EDMOUR GERMAIN

However anxious some brokers may be to see the New York Stock Exchange increase the commission rates which may be charged on the transactions in securities listed on the Big Board, many months must pass before there can be any hiking of the rates upwards. The last two times rates have been revised in the past twelve years, six months were necessary to clear the way for any change.

There are certain steps in the process of revising the rates which can not be skipped and the final part of the process—where the members of the Exchange cast votes on the constitutional revisions involved—takes six weeks alone.

The feeling isn't exactly unanimous in favor of any increase, as expressions of doubt as to the wisdom of such a move here and there reveal, but it does seem evident that most members of the Exchange would like to see the rates go up a little. Some time ago, Emil Schram, President of the Exchange, asked the Association of Stock Exchange Firms to make a study of costs in the business and from the findings to determine whether or not any change in the rate might be desirable. The Exchange itself of course has tried to see just where the rates should be revised, if at all. The chief thought here has been to measure the desirability of fixing rates on the basis of dollar volume of transaction.

At the moment, the Association of Stock Exchange Firms is studying the data amassed in its investigation of costs and it appears at least as if the Board of Governors of the Association as soon as it gets the chance will recommend an increase in rates.

In a sense, the investigation of the entire subject of rate increases, including that part of it related to the matter of costs, is a joint project of the New York Stock Exchange and the Association of Stock Exchange Firms. Neither one hestitates to consult the other—if only for advice—on various questions which arise. The subject is very much in the air, it would appear, tossed about, as it seems to be, from the Exchange to the Association and back and so on ad infinitum.

The job of drawing up a new schedule of rates which will be both fair and productive of maximum revenue is by no means the simplest part of the process. Several possible schedules have been drawn up, it is understood, and the merits of one or parts of one over another or others is now occupying much of the attention of those who are concentrating on the matter. It is not likely, however, that the "Street" will learn much very definitely about the progress which is being made for some time as the Exchange, which must of necessity assume full responsibility for whatever changes may be advocated, naturally hestitates now and would hestitate to put forward for consideration any idea which has been only incompletely formulated.

Fund Will Not Compete With Bankers: Gutt

WASHINGTON, March 5 (Special to the "Chronicle)—Questioned as whether the International Monetary Fund is likely to compete with commercial banks or others in the foreign excnange business. Mr. Camille Gutt, managing director of the Fund, informed this correspondent as fol-lows.

"The Fund is not here to replace or to displace the normal economic machinery. On the contrary, it is only here to help it, if necessary. Individuals, traders and private bankers are not coming to the Fund, and countries are not obliged to come to it. They have got to find the necessary foreign exchange, and to do that, they have to use all their energy, their ingenuity, their initiative, their enterprise. The Fund does not, will not interfere with that at all. It just comes in to help when there is a missing link, or a weak link; when there is a temporary difficult situation which may be bridged over. Thereby avoiding hasty steps detrimental to the country concerned and to the other countries. This, I think, has to be stressed very strongly.

"Moreover, the Fund is concerned in studying the member country's balance of payments as a whole, but does not go into individual exchange transactions of private firms or persons."

Belgium and Dollars

WASHINGTON, March 5 (Special to the "Chronicle")—Several articles have appeared in the London press lately to the effect that a Belgo-British agreement of recent weeks makes sterling convertible into dollars for Belgian account. Inquiry in Washington suggests that what really has happened is that Belgium a few weeks ago used dollars to set up a sterling fund reconvertible into dollars.

Britain's Use of U. S. Loan

By PAUL EINZIG

Dr. Einzig calls attention to smaller use of U. S. credit to Britain than anticipated and ascribes this to a less unfavorable adverse trade balance than had been predicted, larger draft on Canadian loan, and to increased absorption of Sterling by Switzerland, Sweden and Argentina. Contends despite efforts to divert British purchases from hard money currencies, it will not be effective, since American tobacco and U. S. films will continue to constitute substantial portion of imports.

Disclosure in the official American statement that withdrawals from proceeds of the U. S. Loan to Britain up to January have been less than anticipated, came as a surprise to the British public. It was widely assumed until now that, owing to the unsatisfactory distribution of Britain's foreign trade between hard currency countries and soft currency countries, the proceeds of the loan have been used up at a much more rapid pace than was foreseen at the time of the conclusion of the loan. The following are some of the reasons why this is not so:—

Dr. Paul Einzig

(1) The adverse trade balance is smaller than was forecast in December, 1945.

(2) The Canadian loan has been drawn upon extensively.

(3) Other hard currency countries, such as Switzerland, Sweden, the Argentine, etc., have to some extent financed their trade with Britain through an increase of their holdings of Sterling.

(4) The Government has been making efforts to divert British purchases from hard currency countries to the Sterling area or soft currency countries.

In any case, the pace at which the proceeds of the loan are drawn upon is believed to have become accelerated since January, and is expected to become further accelerated, as a result of the industrial crisis brought about by the fuel shortage. Exports have dropped sharply, and more dollars are needed for the purchase of coal and other essentials. Moreover, the decision to slacken the export drive in order to increase the volume of goods available in the home market also means that the loan proceeds will have to be drawn upon more extensively. Nor is there any indication of concrete and effective action to divert any substantial quantities of British exports from soft currency countries to hard currency countries.

Even though forecasts that the loan might be exhausted this (Continued on page 1276)

The International Monetary Fund and World Prosperity

By CAMILLE GUTT*
Director, International Monetary Fund

After reviewing collapse of the international gold standard among trading nations and its adverse effect on world trade and international relations, Dr. Gutt outlines proposed fuctions and activities of International Monetary Fund. Stresses Fund's purpose is to tide over a country which is temporarily out of balance in exchange operations, and to give advice as well as help to individual members. Concludes success of Fund is dependent largely on United Nations and on ability or willingness of nations to cooperate in both economic and political spheres.

To understand the purposes of the International Monetary Fund, we have to go back some 35 years. I will not say it was the Golden Age, but certainly it was the Gold Standard Age.

Camille Gutt

What was the Gold Standard? I do not want to go here into technical details, but it was the means to ensure the stability of the various currencies in relation to each other and, therefore, to develop world trade. Trade between people living in different countries becomes difficut and therefore has a tendency to contract if the rate at which the currency of one country can be exchanged for other currencies is liable to sudden or violent changes. Trade, on the contrary, is encouraged if the rate of exchange between the currencies is a stable one. I do not think this needs to be demonstrated. This stability was provided by the Gold Standard. The formal obligations imposed by it were very light, and were never part of a written constitution. In practice, each of the main trading countries maintained a stable relationship between its currency and the value of gold and, therefore, between the values of all the national currencies which followed the same course — gold being the common denominator.

This often meant that the smaller trading countries actually used the more important currencies instead of their own in their international transactions, and this was facilitated by the fact that the currencies of the stronger trading nations were made available by the way of loans. Those loans took the shape of commercial credit or long-term investments, and the two leaders in that field were France and Great Britain; thus, the British sterling and the Franch franc in particular became international media of exchange, without any necessity for constitutional formal agreement.

Moreover — and this was one of the essential rules of the game —whenever there was some sign of weakness in the monetary position of one country, it increased its discount rate. This had the double effect — on the one hand, (Continued on page 1268)

*An address by Director Gutt, before the Women's National Republican Club, New York City, Feb. 27, 1947.

Eccles Asks End of "Pegged" Short-Term Rate

At Congressional hearing, Chairman of Reserve Board gives notice that end of 7/8% rate on government certificates is in sight, and higher rate is expected. Opposes restricting Federal Reserve purchases of government bonds to open market on ground it would increase cost of managing debt. Favors removal of limit on cost of F. R. branch bank buildings.

In the course of a hearing before the House Committee on Currency and Banking, Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, announced that the policy of pegging rates on short-term government securities would soon end and he expected a higher rate, perhaps 1¼%. Mr. Eccles gives as his main reason the need of discouraging purchases by commercial banks of intermediate and long-term government issues to replace short-term issues redeemed or transferred to the Federal Reserve System. He pointed out that because of the rather heavy redemptions of short-term certificates, the banks have been acquiring larger amounts of longer term bonds, on which they obtain a higher return, and this does not reduce the problem of public debt "monetization." He intimated that the Federal Reserve would be opposed to a new issue of fully marketable long-term bonds because it would merely intensify the debt "monetization."

Marriner S. Eccles

Subsequent to his testimony before the House Committee, Chairman Eccles issued the following statement clarifying his idea regarding methods of restricting monetization of the Public Debt by the banks:

In connection with my statement to the Banking and Currency Committee of the House of Representatives regarding H.R. 2233, I was asked by a member of the Committee questions with respect to proposals made in the 1945 Annual Report of the Board of Governors of the Federal Reserve System regarding the problem of monetization of the debt by banks and ways of dealing with that problem. It should be made clear that H.R. 2233 is not designed to deal with this particular problem, which is much broader and more far-reaching in scope than the bill

(Continued on page 1274)

Gov. Draper Defends Tobey Bill

Reserve Board official denies proposed legislation would place Reserve System in competition with private banking. Describes basic purpose as replacing present direct-lending authority with FR guarantee of loans from commercial banks to business enterprises.

WASHINGTON (Special to the "Chronicle")—Denying that the Tobey bill (S. 408) introduced on Jan. 27 would place the Federal Reserve banks in competition with private banking, Governor Ernest G. Draper of the Federal Reserve Board said it would rather block the path to government ownership. The bill, on which Senator Tobey's committee is expected to hold public hearings and call upon the Reserve Board for testimony would substitute for the present direct-lending authority of the Federal Reserve system authorization for the Federal Reserve Banks to guarantee, in part, loans made by commercial banks and other financial institutions to business enterprises.

E. G. Draper

Governor Draper, who since 1938—when he moved over from the Department of Commerce—has been in charge of "small business" matters at the Reserve Board, feels very definitely that the Tobey bill should be enacted. According to Mr. Draper, there have been expressed several objections to the bill, none of which is valid. He lists these objections as three: first, that "policies which may be justifiable in wartime are not necessarily equally desirable in normal times"; second, loan guarantees are "the first step down the slippery incline which leads to government ownership"; and, third: that the problem of financing small business is "less one of commercial bank loans than equity capital."

On the first point, Governor Draper told the "Chronicle": "The purpose of the bill is to make it possible for private banks to serve constructively the credit needs of business at all times. Since 1934, the Federal Reserve Banks have

(Continued on page 1277)

U. S. Aid to Greece Awaits Definitive Prog.

WASHINGTON, March 5 (Special to the "Chronicle")—Asked by the "Chronicle" what Congress is likely to do about Britain's Macedonian cry, a prominent Republican today stated that the Congress cannot formulate an opinion as to American policy in Greece until the White House presents a program. Help for the British in Greece, he added, should be taken, however, as a sign that Congress is all set to assist in the solution of the United Kingdom's domestic economic crisis.

In some administration circles, it is stated that the formulation of a financial program for Greece, with the possible exception of a stop-gap program, must await the report of the American Economic Mission headed by Paul Porter.

That report is not expected until some time in April. Meanwhile these administration officials state, if the Congress will enact the pending post-UNRRA relief program, the immediate needs of Greece may be met.

World Bank Seeking Better Press Abroad

WASHINGTON, March 5 (Special to the "Chronicle")—Mr. Drew Dudley, the World Bank's publicity officer, will leave for London this month to establish contacts with British editors and writers. Mr. Dudley hopes to obtain for the Bank a better press than it has had in the United Kingdom.

* * *

Messrs. Horne and Winslow of the International Monetary Fund have returned from London where they were engaged in preparation for the September meeting of the Board of Governors.

Lewis Whitney Jr. With Nat'l Series Dist.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lewis J. Whitney, Jr. has become associated with National Series Distributors, 634 South Spring Street. Mr. Whitney was previously Vice-President of Butler-Huff & Co. of California.

John G. Nesbett Co. Formed in New York

Formation of John G. Nesbett & Co. Inc., investment managers—investment counsel, is announced today. The new company will maintain offices at 25 Broad Street, New York City.

With Denton & Co.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Marshall M. Oppenheimer is now with Denton & Co., Inc., 805 Main Street.

Inflation—Let's Look at the Record

By THOMAS I. PARKINSON*

President, The Equitable Life Assurance Society

Mr. Parkinson refutes RFB Chairman Eccles' statement, "inflation has largely run its course." Points out reduced money supply and bank deposits are result of withdrawal of Treasury surplus cash from banks, used in redeeming government debt. Shows individual and corporate deposits are still increasing and because of banks' recent bond purchases, money supply is increasing.

Some very important statements as to currency and inflation in the United States have recently been made by public officials and bankers. In the first place, Chairman Eccles of the Federal Reserve Board, when announcing a reduction in stock trading margins to 75%, said, "The supply of money was reduced during the year as a result of a substantial decrease of the government debt held by the banking system." And in the same report, "It now appears that inflation has largely run its course. . . ." Notwithstanding the official nature of these statements, it must be pointed out that they are not wholly accurate or dependable if one considers seriously the possibilities of inflation of our currency.

T. I. Parkinson

Here are the facts taken from the bulletin of Mr. Eccles' own Federal Reserve Board. At the beginning of 1946, the money supply in this country was $176 billions, consisting of $28 billions of currency in circulation and $148 billions of bank deposits. On Nov. 30, 1946 the total money supply was $171 billions, consisting of $29 billions of currency in circulation and $142 billions in bank deposits.

Reduced Treasury Deposits

This does look like a reduction, but there is an important fact which must be taken into consideration. A year ago $148 billions of bank deposits included $24 billions of United States Treasury deposits. This large Treasury deposit was due to the proceeds of the excess sales of Victory Bonds in December of 1945. These Treasury deposits were potential parts of our money supply, but to the extent of over $20 billions they never really became a part of it because they were used to pay off more than $20 billions of government obligations maturing during 1946.

Moreover, the $142 billions of bank deposits at the end of November, 1946 was made up of $137 billions belonging to individuals and corporations and only $5 billions of Treasury deposits. These figures mean that the money supply in the hands of the people at the beginning of 1946 was $124 billions in bank deposits and $28 billions in circulation, and that this money supply in the hands of the people had increased by November to $137 billions in bank deposits and 29 billions in circulation.

During the past year the people's money supply had increased by $14 billions. It is true that during the year government debt was reduced, but individual and corporation deposits increased.

To the extent that government bonds were paid off during the year, the debt was reduced; and to the extent that government bonds were taken out of the banks the money supply was reduced. But the trouble with Federal Reserve and banking operations during 1946 was that the banks were permitted or encouraged to go into the market and replenish their portfolios by the purchase of other government bonds to re-

(Continued on page 1275)

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

Public Utility Securities

Cleveland Electric Illuminating

Cleveland Electric Illuminating Company on Feb. 20, 1947 registered with the Securities and Exchange Commission 1,847,980 shares of common stock, all owned by the North American Company and representing 79.49% of the amount outstanding. North American proposes to give its own stockholders of record March 19 the right to purchase at $15 one share of Cleveland stock for each five shares of North American stock held. This would account for 1,714,525 of the shares registered. The rights would expire May 27, 1947, although registered holders of unexercised warrants would be entitled to receive shares of Cleveland stock and/or cash on a pro-rata basis after allowing for certain expenses. North American proposes to apply the proceeds ($25,717,875) to the retirement of bank loans. The remaining 133,383 shares (together with unsubscribed shares) will be sold by North American after the offer to stockholders has expired.

Cleveland Electric Illuminating Co. is an important unit in the North American System, serving Cleveland and adjacent industrial, suburban and rural territory in Northeast Ohio, extending nearly 100 miles along the south shore of Lake Erie. It has 370,000 electric customers, compared with 310,000 in 1935 and 245,000 in 1925. The company's electric sales for 1946 totaled 3 billion kilowatt hours, compared with 1.2 billion kilowatt hours in 1930, while electric operating revenues of $4.59 million last year compared with $2.49 million in 1930. During the same period the company's average price per kilowatt hour sold to residential customers dropped from 4.64 cents to 2.98 cents.

In anticipation of continued growth in electric sales, the Cleveland company has announced a construction budget aggregating $57,700,000, of which $41,400,000 has been authorized for 1947. Expanded sales operations are stressing the industrial advantages of the Cleveland-Northeast Ohio area. Since V-J Day, over 170 companies have announced plans to invest $50,000 or more each for manufacturing facilities in the area, aggregating in excess of $210,000,000 and creating 32,000 industrial jobs, thereby foreshadowing substantial growth of business for the Illuminating Co.

Since 1902 the company has maintained an unbroken record of quarterly payments on its common stock. Over the last ten years, dividends per common share have never been less than $2.00 and have been as high as $2.50 a year. Earnings per common share have averaged $2.41 a common share for the same ten year period. For 1946, when the company surpassed all peacetime records in the sale of electricity, net income was $2.55 a common share, but this would have been increased to $3.20 by giving effect for the entire year to revenues billed at rates which have recently been approved by the Public Utilities Commission of Ohio. The company and the City of Cleveland are now negotiating an agreement in their controversy over rates, in which the City has been denied a rehearing by the Ohio Commission. It remains possible of course that the City might take the rate issue to the Courts, but if so, this must be done before April 14th.

Earnings, dividends and approximate price ranges have been as follows:

Year	Earned	Paid	Range
1946	$2.55	$2.00	50—38
1945	1.95	2.00	50—35
1944	2.05	2.00	41—31
1943	2.14	2.00	37—29
1942	2.15	2.25	35—21
1941	2.54	2.50	41—30
1940	3.08	2.50	48—30
1939	2.66	2.25	44—35
1938	2.44	2.25	39—31
1937	2.56	2.25	48—31

The stock is currently selling at 41½, this years's range being 44½-40¼. At this price the stock yields about 4.8% and the price earnings ratio approximates 16.4.

With Fairman & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Henry J. Tenaglia has become connected with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Tenaglia was previously with Slayton & Co.

With Pacific Company

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Pacific Company of California, 621 South Hope Street, members of the Los Angeles Stock Exchange, have added Richard A. Thompson to their staff.

Effects of Population Changes on Business

Emphasizing the importance to business of trends in population, the March issue of "Business Comment," a bulletin of the Northern Trust Co., observes that population in the United States is now growing faster than in the 1930's, but that a substantially older average population will emerge in the next several decades.

According to U. S. Bureau of the Census figures the population by 1950 will reach 145,500,000 a gain of 13,800,000 over 1940, the Bank's analysis points out. This compares with a gain of 8,900,000 in the decade of the 1930's and 17,100,000 in the 1920's, the largest ten-year gain in the history of the country.

The reason for the more rapid rise of population in the 1940's, according to the article, is found primarily in the higher birth rate. Since 1941 births have averaged about 3 million a year and in 1946, close to 3,300,000 compared with 2,500,000 prior to the war. The death rate has remained low at less than half the birth rate. Net immigration has also been higher, for it was very small in the depression years.

"Businesses catering to the needs of infants and yound children are now enjoying large increases in sales," the Bank observed. Currently the number of teen-agers is declined slightly, but after 1950 businesses selling to the needs and desires of this group will have an expanding market, for the number of teen-agers will increase by 15% between 1950 and 1955 and will keep on increasing for some years after that. "It is important to other types of business that, whereas the number of young people between 20 and 30 years of age increased by almost 3 million, or 14% in the fifteen years prior to 1945, the almost certain prospect is that the number in this age group will decline by 2 million, or 9%, in the next 15 years, and then will turn up again. The number in the older age groups will grow most rapidly, on a percentage basis."

Long range forecasts of the Bureau of the Census, as reported by "Business Comment," indicate that the population of the United States will reach a peak of 165 million in 1990 and will then begin a gradual decline. The population will become older, as a lower birth rate and a longer span of life affect the age distribution. The median age of the population is expected to rise gradually from about 30 years at present to 37 years late in the century. The most striking increases in numbers will occur in the higher age groups. In fifty years the number of people over 65 will probably constitute 13% of the total population, compared with 7% now.

"The changes in age distribution of the population as a whole over the immediate as well as more distant future are important to many industries that have a nation-wide market," the article continued. "For local industries, however, as well as in the provision of public services, migration of population from one part of the country to another is far more important." According to "Business Comment," between 1935 and 1940 6,500,000 persons migrated between states, and over half of these were between non-contiguous states. Since the end of the war five million civilians have moved between states, and an additional 5,500,000 have moved from one county to another within a state.

C. G. McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Paul E. Breese is now affiliated with C. G. McDonald & Company, Guardian Building, members of the Detroit Stock Exchange.

McCloy Elected World Bank President

Eugene Black nominated to succeed Collado as U. S. Executive Director. Robert L. Garner appointed institution's Vice-President. Reshuffle follows concern over securities' distribution to investors and the guarding of their interests. Measure introduced permitting purchase by New York insurance companies.

Breaking the ten-week personnel log-jam which has been holding up the operations of the International Bank for Reconstruction and Development, its Executive Directors on February 28, formally announced the election of John J. McCloy as President of the institution, the nomination of Eugene R. Black to the post of United States Executive Director (in place of Emilio G. Collado, resigned), and Robert L. Gardner to the vacant Vice-Presidency.


John J. McCloy


Eugene R. Black, Jr.


Robert Garner

Mr. McCloy will assume office March 17, Mr. Garner's appointment becomes effective immediately, while Mr. Black's assumption of duties must await his confirmation by the Senate. As the Bank's Articles of Agreement make no specific provision for a Vice-President, Mr. Garner's appointment technically follows Sec. 5(b), which reads:

"The President shall be the chief of the operating staff of the Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general control of the Executive Directors he shall be responsible for the organization, appointment and dismissal of the officers and staff."

Biographical notes on the background of Messrs. McCloy, Black and Garner appear on page 1279.

While it had been generally supposed that Mr. McCloy's acceptance of the presidency was conditioned on drastic organiza-

(Continued on page 1279)

State Mediation Board Official Obtains Quick Settlement of New York Cotton Exchange Strike

Dispute between United Financial Employees, AFL, and the Exchange over terms of a new contract stops trading for only a day—Tuesday—as speedy compromise is reached over several troublesome issues. Financial employees Guild, CIO, loses petitions to State Labor Board for recognition as collective bargaining agent for employees in branches of the Bank of the Manhattan Company and Greenpoint Savings Bank. Union seeks change in jurisdiction of these cases to the National Labor Relations Board.

A strike called early Tuesday morning by the United Financial Employees, AFL, against the New York Cotton Exchange was settled late in the night of the same day through the intervention of Arthur S. Meyer, Chairman of the New York State Mediation Board who stepped into the picture at noon in an effort—and, as events proved, a successful effort—to seek a quick compromise over the troublesome issues that would be satisfactory to everyone concerned.

The dispute, it seems, was not so much over wages as over certain other matters upon which the contract negotiators had been unable to see eye-to-eye in a bargaining session lasting until Monday night, the expiration hour of the old contract The union delegates left that meeting agreeing to put the unsettled questions to those of its members who are employed at the Exchange for a vote. The balloting took place in a matter of hours, the union reports, and as the employees supported the position of its union leaders, the strike was decided upon. Thus, it is said, Exchange officials who, just a few hours before had been talking contract with the union, when they came to work, unexpectedly found picket lines at the entrances to their building. It immediately came to be felt in some circles that the union had been figuring on calling a strike right along and that therefore it had been bargaining in bad faith.

Mr. Meyer, it is reported, approached the problem very cautiously, keeping the union and the Exchange representatives, who had responded to his offer of aid in the controversy, in separate rooms while he undertook the task of conveying the feelings and sentiments of the various men present from one to the other of these two groups.

The upshot of these negotiations which lasted for seven hours and more, until well after midnight, that is, into Wednesday morning, was that the union obtained most, though by no means all, of its demands and consequently decided to call off the strike. Thus, yesterday trading was resumed as usual on the Exchange. So far as wages is concerned, the Exchange agreed, for the most part, to increases of from 15 to 18%; that is, to increases of $6.00 a week and more. In the case of one supervisor, however, an increase of $25 a week was granted. Bonuses geared to volume of trading were also agreed upon. The Exchange at least takes the view that these salary adjustments had been agreed to prior to the strike.

The union lost out on its demands for a closed shop, though it did get the Exchange to agree to a provision continuing the same maintenance of membership with check-off that had existed in the old contract. The Exchange,

(Continued on page 1292)

Economists Suggest Detailed Monetary Reform To the President and Congress

Economists' National Committee on Monetary Policy submit two detailed programs to counteract unsound measures that have crept in during New Deal. One program sets forth 10 steps as prerequisite to retention of present international gold-bullion standard. Alternative suggestions recommend that, if gold-coin standard is restored, gold and silver coinage laws be restored to 1932 status, but that no change be made in present gold price.

The Economists' National Committee on Monetary Policy is sending to President Truman and to the members of Congress a detailed program for legislative action to correct monetary errors that have come into being during the past 14 years. These measures are spelled out, with respective observations, by the signing members of the Committee.

The suggestions are classified under two separate "programs".

One of these programs suggests 10 legislative steps that should be taken if the present international gold-bullion standard is to be retained. Repeal of certain sections of the Gold Reserve Act of 1934 are suggested "in the interest of providing a legal basis for confidence in the future stability of the gold-dollar value of an ounce of fine gold."

Other suggestions in both programs contemplate the elimination from our statutes of most of the silver legislation of the past 14 years, the repeal of the Thomas Inflation Act of 1933, and the public resolution of that year providing that all coins and currency of the United States shall be full legal tender.

It is also recommended in both programs that the Senate not revive the Senate Special Silver Committee, the operations of which "have reflected badly upon the objectivity of Congress in matters affecting our monetary system and silver."

Program No. 1 follows:

PROGRAM No. 1

A Monetary Program for the Federal Goverment Under the Present International Gold Bullion Standard

Item No. 1—Congress should repeal Sections 8 and 9 of the Gold Reserve Act of 1934 which give the Secretary of the Treasury the power, with the approval of the President, to purchase and sell gold "at such rates and upon such terms and conditions as he may deem most advantageous to the public interest."

The President, quite properly, was deprived of the power to alter the weight of our standard gold dollar—that is, the gold-dollar price of an ounce of gold ($35 per fine ounce)—when that portion of Section 12 of the Gold Reserve Act of 1934, relative to his power to alter the weight of the gold dollar, was permitted to expire on July 1, 1943. The Secretary of the Treasury should be deprived of the same power. Otherwise, the Secretary of the Treasury could launch another "Warren gold-buying program," at varying dollar prices per ounce of gold, like that to which the United States was subjected in 1933 and up to the date of devaluation, Jan. 31, 1934. Such a possibility should be eliminated in the interest of providing a legal basis for confidence in the future stability of the gold-dollar value of an ounce of fine gold.[1]

Item No. 2—Congress should repeal that portion of the Gold Reserve Act of 1934 which gives the President authority to provide for the unlimited coinage of silver, to alter the mint ratio between gold and silver, to alter the weight of our silver and subsidary coins, to institute bimetallism, and, in his discretion, to prescribe mint or seigniorage charges for the coinage of silver.

The laws relating to these matters, as they stood in 1932, should be revived, with one exception as specified in Item No. 3, immediately following.

Item No. 3—Congress should repeal the Act of Nov. 1, 1893 (C 8, 28 Stat. 4), which has been used to convey the impression that it provides for bimetallism in the United States despite the passage of the so-called Gold Standard Act of March 14, 1900 (31 Stat. L., 45).

Any provision for bimetallism in the United States is unsound and should be repealed. The Attorney General of the United States, in an effort to find grounds on which the President might fix the price of newly-mined domestic silver in December, 1933 (proclamation of Dec. 21, 1933), had resort to the supposedly dead law of Nov. 1, 1893, in his opinion of Nov. 8, 1933 (37 Op. Atty. Gen., 344).

Item No. 4—Congress should repeal the Silver Purchase Act of June 19, 1934, the domestic silver law of July 31, 1946, and the domestic silver purchase law of July 6, 1939, to the extent that any of that law of 1939 has not been repealed.

Congress should restore the provisions of the laws as they stood in 1932 (after the repeal of the Act of Nov. 1, 1893) with respect to the purchase of silver by the United States Treasury. That is, the Treasury, when it needs silver for monetary purposes, should purchase it at the market price provided this not exceed $1.2929 per fine ounce.

Since the Treasury in recent years has bought silver at artificially high prices, Congress has the choice of deciding whether it will direct the Treasury to sell its surplus silver (that not serving as coin and as security for silver certificates and Treasury Notes of 1890) at the market price or at cost. It is here recommended that the Treasury be directed to sell its surplus or so-called "free" silver at the market price, provided this be not less than the cost (average per ounce) to the Treasury.[2]

Item No. 5—Congress should repeal all of Title III of the Act of May 12, 1933 (the so-called Thomas Inflation Act, Public No. 10, 73d Cong.).

Item No. 6—Congress should repeal all authority to issue national bank notes and Federal Reserve bank notes.[3]

Item No. 7—Congress should repeal that part of Public Resolution No. 10, approved June 5, 1933, which provides that all coins and currencies of the United States shall be full legal tender.[4]

(a) Congress should restore those provisions of our earlier legal tender laws which provided that our minor coins—nickels and

(Continued on page 1280)

Employment Outlook Good

By HERMAN B. BYER*

Assistant Chief, Employment and Occupational Outlook Branch, Bureau of Labor Statistics

Government economist reviews employment developments since end of war and ascribes postwar absence of unemployment to heavy demands for workers in construction, trade, soft-goods manufacturing and building materials. Holds if price and wage adjustments keep prices within consumer buyer limits, general employment outlook is good and a renewed tightening of the labor market may be in offing.

Before the war came to an end, many analysts held the view that the employment outlook for the first few postwar years would be dependent on our success in pulling out of war-end recession. But now we find that the war-end recession did not materialize and that we are concerned instead with maintaining extraordinary levels of employment, production, and purchasing power that we have already reached.

Herman B. Byer

The fact that we have achieved these levels without experiencing any serious unemployment problems has been the most remarkable feature of the reconversion period—especially when we consider that war production representing two-thirds the industrial output of the Nation was virtually shut off with the coming of peace and that over 11 million ex-servicemen have returned to civilian life since V-J day.

There are several reasons why employment dropped so little and turned upward so strongly after the war-end cuts in munitions output. First of all peak employment in the major munitions producing industries had occurred back in the latter part of 1943 and substantial cuts were made between then and the end of the war. Thus a good deal of the drop in munitions employment had already been absorbed when peace came.

Secondly the disemployment that did occur in the munitions industries did not nearly keep pace with the drop in output. Staffs were maintained at surprisingly high levels while plants were reconverting for production of civilian goods. In many cases a trained labor force was probably retained for later use even if it was not fully utilized for a while.

Third—and most important of all—there was still a big demand for labor in trade, service, and non-munitions manufacturing plants which had been short of manpower during the war. Moreover, activities such as construction that had been severely restricted before V-J day, began to expand rapidly. Supporting the demand for labor and reinforced by accumulations of wartime savings was an unprecedented demand for all kinds of goods and services

(Continued on page 1258)

*An address by Mr. Byer before the National Employment Conference of the American Legion, Washington, D. C., Feb. 27, 1947.

Dealer-Broker Investment Recommendations and Literature

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

Bargain Counter—Latest issue of "Geared to the News" Bulletin Service emphasizes the relative cheapness of over-the-counter securities as a consequence of the recent sharp rise in the listed market—Strauss Bros. Inc., 32 Broadway, New York 4, N. Y.

Business Prospects Warrant Optimism — Analysis and survey of outlook—R. W. Pressprich & Co., 68 William Street, New York 5, N. Y.

Can Companies — Review of situation and outlook — Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Coppers — First of two issues in a new series of investment forecasts **"Survey of Selected Corporations"** analyzing the 1947 earnings, dividend and market price potentialities for **Kennecott Copper Corporation** and **Anaconda Copper Mining Company**—E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Dominion of Canada and Canadian Provinces—Handbook showing funded debts outstanding January, 1947 — Wood, Gundy & Co., Inc., 14 Wall Street, New York 5, N. Y.

Financial Facts on Texas Corporations 1946—Historial and financial data on 25 companies whose securities are traded over-the-counter—Moroney, Beissner & Co., 812 Rusk Avenue, Houston 2, Tex.

"Need We Have A Depression?"—Article on current business and economic situation — Theodore Prince, 30 Broad Street, New York 4, N. Y.—$1.00 per copy.

1947 Appraisal of Railroad Securities — Reprints of address by Patrick B. McGinnis to the Maine Investment Dealers Association—McGinnis, Bampton & Sellger, 61 Broadway, New York 5, N. Y.

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

Also available is a circular on the **Middle West Corporation.**

Stocks—List of 104 issues which the firm considers interesting—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

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

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

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

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

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

British Industries Corporation—Memorandum—Stubner & Company, 60 Wall Street, New York 5, N. Y.

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

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

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

Cliffs Corporation — New developments and discussion of suspension of liquidation plan in favor of merger with **Cleveland-Cliffs Iron Company** — Gottron-Russeuu & Co., Union Commerce Building, Cleveland 14, Ohio.

Consolidated Steel Corporation —Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Also available is a study of **Wilson & Co., Inc.**

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

Electric Auto-Lite Company — Summary appraisal—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

Also available are reviews of **Newport Industries** and **Niagara Hudson Power Company.**

Higgins, Inc. — Manufacturers of a new building material **"Thermo-Namel"** consisting of porcelain enameled steel panels in variety of colors and textures—Elaborate new folder with other material, including prospectus and thumbnail sketch of Andrew J. Higgins—Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

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

Hydraulic Press Manufacturing Co.—Detailed Analysis—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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.

Metal Forming Corporation — Memorandum—First Colony Corporation, 52 Wall Street, New York 5, N. Y.

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.

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

Polaris Mining Company — Analysis—R. E. Nelson & Co., Hyde Building, Spokane, Wash.

Also available are brief reports on **Clayton Silver Mine** and **Silver Syndicate Mine.**

Polaroid Corporation — Memo on current developments discussing growth possibilities—Troster Currie, & Summers, 74 Trinity Place, New York 6, N. Y.

Prentiss-Wabers Products Co. — Analytical memorandum — Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Procter & Gamble Company — An Investor's View—Brochure — Westheimer & Company, 322 Walnut Street, Cincinnati 2, Ohio.

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.

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.

Tide Water Power Company— Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **Colorado Milling & Elevator Co.** and **Northern Indiana Public Service Co.**

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

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

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

West Ohio Gas Company — Analysis—J. J. O'Connor & Co., 135 South La Salle Street, Chicago 3, Ill.

Whitaker Cable Corporation — Detailed memorandum — Barret, Fitch & Co., Inc., 1004 Baltimore Avenue, Kansas City 6, Mo.

Use of "Red Herring" Prospectus in Ohio

James F. Merkel, Chief of Securities Division of Ohio Dept. of Commerce, gives opinion licensed dealers and brokers may circulate "red herring" prospectus provided no attempt is made to sell securities until the effective date of the Ohio registration.

In a circular letter dated March 1, addressed to all licensed security dealers in Ohio, James F. Merkel, Chief of the Division of Securities of the Ohio state government clarifies the use that can be made of the so-called "red herring" prospectus in in that State. The text of Mr. Merkel's letter follows:

James F. Merkel

"To all licensed security dealers:

"This administration is interested in helping dealers with their problems, to minimize red tape or to eliminate confusion and at the same time to guard the interest of the buying public.

"We wish to speak briefly on the use of the prospectus.

"The theory of the Securities Act of 1933 is that full disclosure be given in connection with a security offering. The Securities and Exchange Commission obtains a full disclosure for the issuer, but it remains a fact that often full disclosure is not obtained at the buyer's end and particularly so before a sale is agreed upon. The Securities and Exchange Commission has promulgated Rule 131, which, in brief, permits the sending or giving of a 'red-herring' prospectus to a person before the Federal registration becomes effective. Federal sanction, however, without state sanction either by means of statute or Division ruling would still bar the use of the 'red-herring' prospectus.

"The theory of advancing information to prospective buyers whether in final prospectus form or not, is good. The more information that can filter through to the customer before he is asked to make up his mind, the more intelligent will be the buying. This administration is friendly to the idea that dealers be permitted to get more advance information through to potential buyers. Many dealers have been uncertain as to their rights in this respect. Being convinced the dealers would welcome an opinion from this Division, we are today releasing to you the following:

"In connection with the adoption by the Securities and Exchange Commission of their Rule 131, a question is raised whether a prospectus (preliminary 'red-herring' or final form) covering securities not exempt under the Ohio Securities Act may be distributed in Ohio prior to the effective date of a registration with this Division.

"The Ohio Securities Act requires that no person shall sell any securities or engage in the business of buying, selling or dealing in securities within this state unless such person is licensed as a dealer.

"Therefore, the question can be further resolved to the following: May a prospectus (preliminary 'red-herring' or final form) be distributed in Ohio by licensed dealer and salesmen to members of the public prior to effective registration of the securities with the Ohio Division of Securities.

"To this we conclude that such distribution may be made by Ohio licensed dealers and salesmen to persons residing in Ohio provided, (a) it is a prospectus relating to securities that are or are to be registered with the Securities and Exchange Commission and the Ohio Division of Securities, and (b) the licensed dealer making the offering does not otherwise attempt to sell such securities until the effective date of the Ohio registration.

"Therefore, on and after March 1, 1947 dealers may be guided by this opinion. In line with our policy, we welcome comment. After we have had the benefit of an exchange of ideas between the dealers and the Division, this opinion, as it is or in amended form, can be reduced to a permanent rule.

"(Signed) JAMES F. MERKEL,
"Chief of Division."

Bill in N. Y. Legislature Would Set Up State Securities Board

Assemblyman William E. Clancy would have a five-man "Securities Control Board" established as a division of the State's Executive Department. Would license dealers in securities.

On Feb. 26, William E. Clancy, a Democratic-Labor Party Assemblyman from Queens County, introduced in the New York Legislature a bill which would set up in the State Executive Department a State Securities Control Board, consisting of a chairman and four additional members, appointed by the Governor with the advice and consent of the State Senate. The bill does not prescribe the specific functions of the Board, beyond the requirement that it grant licenses "to deal in buying and selling of securities." The proposed measure was referred to the Ways and Means Committee of the State Assembly.

The full text of the bill follows:

Int. No. 2631 IN ASSEMBLY By Mr. Clancy

AN ACT

relating to transactions in respect to stocks, bonds and other securities.

CHAPTER 3-C OF THE CONSOLIDATED LAW SECURITIES AND TRANSACTION LAW

Article 1. Short title; definitions. (§§ 1-2)
2. State securities control board. (§§ 3-5)
3. Miscellaneous provisions; time of taking effect. (§§ 6-8)

ARTICLE I

SHORT TITLE: DEFINITIONS

Section 1. Short title.
2. Definitions.

§1. Short Title. This chapter shall be known, and may be cited and referred to as the "securities transaction law."

§2. Definitions. As used in this chapter:

(1) "Person" includes an individual, copartnership, corporation, society and joint stock company.

ARTICLE II

STATE SECURITIES CONTROL BOARD

Section 3. State securities control board.
4. Appointment.
5. Expenses.

§3. State Securities Control Board. There shall be in the executive department a securities control division, the head of which shall be the state securities control board which shall consist of five members, all of whom shall be citizens and residents of the state.

§4. Appointment. The members of the board shall be appointed by the governor by and with the advice and consent of the senate.

§5. Expenses. The chairman of the board shall receive a salary of twelve thousand dollars per year; and the other members of the board shall receive seven thousand five hundred dollars per year. They shall also be entitled to their actual expenses in the performance of their duties.

ARTICLE III

MISCELLANEOUS PROVISIONS; TIME OF TAKING EFFECT

Section 6. License required.
7. Statements to be made.
8. Time of taking effect.

§6. License Required. Any person may make an application for license to the securities transaction board for a license to deal in the buying and selling of securities.

§7. Statements to be made. In addition to such other information as the state board may determine shall be furnished in any application for license under this chapter, the following information shall be given under oath: The name, age and residence of each applicant and, if there be more than one and they be partners, the partnership name and the age and residence of the several persons so applying, and the facts as to his or their citizenship.

§8. Time of Taking Effect. This act shall take effect immediately.

NSTA Notes

STANY ALUMNI ASSOCIATION

On Tuesday night, February 25, the Alumni Association composed of present and past officers and directors of the Security Traders Association of New York, Inc., held a testimonial dinner at Whytes Restaurant in honor of Chester E. deWillers, C. E. deWillers & Co., the retiring President, for the year 1946.

Mr. deWillers was presented with a watch in appreciation of his services as President and the following three neophytes were inducted:

John Mayer, Merrill Lynch, Pierce, Fenner & Beane.
Abe Strauss, Strauss Bros.
Duke Hunter, Hunter & Co.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York, Inc., will hold its annual dinner on Friday, April 25, at the Waldorf-Astoria Hotel, according to announcement by Leslie Barbier of G. A. Saxton & Co., Chairman of the arrangements committee.

Reservations will be handled by John M. Mayer of Merrill Lynch, Pierce, Fenner & Beane, and hotel accommodations by Frank A. Pavis of Chas. E. Quincey & Co.

Leo Rich Opens Own Firm

Leo H. Rich, an eloquent advocate of industrial planning within the framework of free enterprise, has opened his own firm of industrial consultants to help American business coordinate its sales, product design and public relations.

Mr. Rich, associated with the Walter Dorwin Teague industrial design firm from 1942 to 1946, announced the organization of his own company, Leo H. Rich Incorporated, at his new offices in New York City at One Wall Street yesterday. It will offer business clients a three-point "package program" of correlated economic and marketing research, industrial design and public relations "to build individuality and increase sales."

Leo Rich

"We will seek to create such continuity of character in a company," Mr. Rich said, "that in all things in which it comes in contact with the public, there will always be instantaneous recognition."

Existing agencies offer excellent service in separate fields of marketing, design and public relations, he pointed out, but none combine all three in a coordinated program he believes essential to planned progress.

Mr. Rich, born 45 years ago in New York City, has been active a quarter of a century in product design, finance, sales and industrial planning.

He has been General Manager of Oscar B. Bach, craftsmen-in-metal, New York City; Director of design, Revere Copper and Brass, Inc.; and President of The Rich Co., Inc., an investment trust.

During the war he served in the War Department as contract negotiator with the New York Ordnance District. He has also served on the business committee of the National Planning Association on the marketing committee of the Committee for Economic Development, and on the Board of consultants of New York University's Institute of Postwar Reconstruction.

He was a member of Mayor La Guardia's Committee of Business Men for the World's Fair, and assisted in managing the Industrial Exhibition of the Metropolitan Museum of Art in 1940.

He is a member of the American Marketing Association, the American Economic Association, the New York Society of Security Analysis, and the Sales Executives Club of New York.

With Buckley Bros.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—John A. Richards has been added to the staff of Buckley Brothers, 530 West Sixth Street.

Elgin With Quincy Cass

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—David Elgin has joined the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

Business Man's Bookshelf

How Swedish Tax Laws Affect Persons Moving Into or From Sweden or Residing Abroad — Erland Geijer—Supplement A to Svenska Handelsbanken's Index—in English — Ivar Haeggstroms Boktryckeri, Stockholm — paper —2.50 kroner.

Men, Oil and War—D. Thomas Curtin—Petroleum Industry Committee, 539 South Main Street, Findlay, Ohio—cloth.

One Hope of Peace, The—Universal Disarmament under International Control — Norman Thomas—Post War World Council, 112 East 19th Street, New York City—paper—15¢.

Tax Program For A Solvent America, A.—The Committee on Postwar Tax Policy, 50 West 50th Street, New York City—paper.

Dorsey Phila. Co-Mgr. Of Reynolds & Co.

PHILADELPHIA, PA.—George K. Dorsey is resident Co-Manager of the Philadelphia Office of Reynolds & Co., 1528 Walnut Street, together with Howard S. Rippey.

Dean Witter Adds Kew

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF. — Stephen M. Kew has joined the staff of Dean Witter & Co., 632 South Spring Street.

G. J. Case Co. Adds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Samuel L. Southard has become affiliated with G. J. Case & Co., 208 South La Salle Street. Mr. Southard was previously with Allen, Swift & Co. and A. C. Allyn & Co.

Eason With Bailey Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Alfred R. Eason has become associated with Charles E. Bailey & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Eason in the past was with Rathbun & Co.

Joins E. D. Jones Staff

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—David H. Nelson has become connected with Edward D. Jones & Co., 300 North Fourth Street, members of the New York and St. Louis Stock Exchanges.

Pennsylvania Brevities

Philadelphia Company Is "On the Spot"

PHILADELPHIA — Last Friday the Securities & Exchange Commission allowed a 30-day continuance of its corporate simplification proceedings against Philadelphia Company after denying a motion by the company's attorney for a 60-day continuance. The postponement was asked so that the $370,000,000 Pittsburgh utility holding company could prepare additional evidence in its fight against the limitation of its functions. Hearings will be resumed March 31.

Under sections 11 (b) 1 and 11 (b) 2 of the Holding Company Act, the SEC is seeking a correction of many alleged undue and unnecessary complexities in Philadelphia Company's corporate structure and a redistribution of voting power which, at present, is averred to be unfairly and inequitably distributed among security holders.

In its Notice and Order, dated Dec. 5, 1946, the SEC demanded that Philadelphia Company, unless it should elect to divest itself of all its electric properties and to continue in business only as a gas utility company, must show cause why an order should not be entered directing that the company liquidate and dissolve.

Philadelphia Company's Rejoinder

Under date of Feb. 10, Philadelphia Company mailed to its stockholders a printed copy of the SEC Notice and Order and the company's 70-page intended rejoinder. In the latter, the company both admitted and denied a number of averments of both fact and law and presented its own corporate simplification plan.

If the terms of this plan should be acceptable, Philadelphia Company contemplates that it would be the direct owner of nine companies including one electric utility company, two gas utility companies and six non-utility companies, which companies would comprise four functional groups: an electric, a gas, a transportation and an auxiliary group.

Public hearings on the matter were begun before the SEC on Feb. 25. From the start it was apparent that Philadelphia Company proposes to fight dismemberment proceedings and is prepared to take its case to the highest court, if necessary.

H. Eastman Hackney, company counsel, said that this is the first time the SEC has sought to dismember a single, local utility holding company administered by local management and operating in a relatively small area.

"We propose to contest that question to the limit," he said. "No case like this has been decided by the higher court."

Philip A. Fleger, Philadelphia Company Executive Vice-President, testified that the company's operations constitute an integrated unit.

"The whole history of the system," he said, "and its development clearly indicate that Philadelphia Company has been primarily responsible for the development of the three vital services being furnished to the Pittsburgh area — gas, electricity and street railways—and I cannot believe that Congress intended by the Holding Company Act of 1935 to reward a record of public service such as I have outlined with liquidation."

Mr. Fleger reviewed the company's capitalization, explaining in particular its principal electric subsidiary, Duquesne Light Co. The later's outstanding stock, all owned by Philadelphia Company, has a stated value of $56,313,120, he said, adding that $27,500,000 in Duquesne preferred stock is publicly owned and has never defaulted in dividend payments.

Answering Trial Examiner Richard Townsend's question as to why Duquesne had not instituted a refunding program between January and May of 1946 when peak market conditions prevailed, Mr. Fleger said the company thought it advisable to await even more favorable conditions. He said he believed the market trend would improve steadily this year and be "very favorable" about the end of the year.

* * *

Pittsburgh Railways Reorganization

Proceedings against Philadelphia Company by SEC has added an element of urgency to reorganization of Pittsburgh Railways. Foremost among the "complexities" to which the Commission objects in respect to Philadelphia Company's corporate set-up, is the maze of inter-company guarantees, leases, operating agreements, ownerships and partial ownerships which comprise the transportation system. An essential part of Philadelphia Company's voluntary plan of simplification is the immediate and complete financial reorganization of the railways. This program happily coincides with recent court decisions which brushed aside the corporate entities of some 50-odd underlier companies and ordered that, for purposes of reorganization, they be considered as a unit. Thus, for the first time in almost nine years, reorganization proceedings have been placed on a time-table ordered by the Bankruptcy Court. The SEC, the Philadelphia Company, the Trustees, the City of Pittsburgh and the public holders of securities are united in the common aim of devising and adopting a fair, equitable and feasible plan of reorganization.

It is not possible at this time to predict the form which a final plan will take. It is of importance, however, to note that the capitalizable assets of the system properties plus the cash of over $23,000,000 now in the hands of the Trustees together constitute an amount which will greatly facilitate and should make possible the adoption of any reasonable plan.

* * *

Allentown-Bethlehem Gas

Seven institutional holders of Allentown-Bethlehem Gas Co. 3¾% first mortgage bonds have petitioned the SEC to approve a voluntary reduction in the interest rate to 3%.

* * *

Philadelphia Suburban Transportation

Per share earnings for 1946 on 48,000 shares Philadelphia Suburban Transportation Co. common stock increased to $9.64 compared with $3.99 per share reported for 1945. The marked improvement was the result of elimination of excess profits taxes and substantial interest savings effected by last year's refunding program.

* * *

"Gas House Gang"

The Equitable Gas Co., Manufacturers Light & Heat Co. and Peoples Natural Gas Co., all of Pittsburgh, have been granted permission by the Pennsylvania Utility Commission to control the use of natural gas for heating of homes.

The step was taken to protect the industrial users of gas. Recent deficiencies in the supply have been attributed to the lack of pipe and to increased demand for domestic uses.

H. G. Batcheller, President of Alleghany Ludlum Steel Corp., announced that his company wherever possible would convert from natural gas to fuel oil in order to avert future production shutdowns. The first such changeover is already under way at the company's West Leechburg, Pa., plant.

Warner-Wawaset Merger

A "down-stream" merger of Wawaset Securities Co., which controls Warner Company through ownership of approximately 51% of Warner Company common, and its operating subsidiary will be recommended by the boards of both companies to their respective stockholders meetings next month.

Under the terms of the proposed plan, each of the 126,-823 shares of Wawaset common would be exchanged for 1.9 shares Warner common. No change would be made in the 475,284 shares of Warner stock outstanding. Dealers believe that in distributing the shares now held by Wawaset, a broader market will develop for the Warner shares.

A ruling of the Commissioner of Internal Revenue has been obtained to the effect that such merger would not result in tax consequences to either of the companies or their stockholders.

* * *

It's-About-Time Department

Philadelphia is about to lose one of its long-standing but dubious banking distinctions. The big bank with the cumbersome name, the Pennsylvania Company for Insurances on Lives and Granting Annuities, has asked its stockholders to approve a change to Pennsylvania Company for Banking & Trusts.

* * *

Philco Corp.

Faced with losses through the first nine months of 1946, Philco Corp. "poured it on" to the tune of $45,000,000 sales in the last quarter to bring the year's total to $117,000,000. It is indicated that net income for 1946 will be approximately $2,600,000, equivalent to $1.80 per common share, comparing with $1.73 per share earned in 1945. Up to the end of September, Philco reported a net loss of $20,478 after estimated tax credits of $290,000.

Thus far in 1947, the company is understood to be earning at about the rate of the final 1946 quarter. Reflecting the optimistic outlook, directors have increased the quarterly dividend rate on the common shares from 20 cents to 37½ cents, thus placing the stock on a $1.50 annual basis.

* * *

Bethlehem Steel Corp. announces that it will construct a battery of coke ovens at Johnstown, Pa., to cost $4,974,000.

Alan Wood Steel

At the annual meeting March 19, stockholders of Alan Wood Steel Co. expect to hear a progress report from a committee appointed last year to consider possible plans for clearing the preferred dividend arrears and providing funds for rehabilitation and expansion.

Earnings for 1946 are reported to be better than for any year since 1941. It appears that $11.05 was earned on the 71,824 shares of 7% preferred. As of Dec. 31, dividend accumulations amounted to $55.50 per share.

New Issue

$200,000,000
State of Michigan
1½% Veterans' Bonds

Dated March 15, 1947 Due March 15, as shown below

Principal and semi-annual interest (September 15 and March 15) payable at Bankers Trust Company, New York, N. Y., at The Northern Trust Company, Chicago, Illinois, at the National Bank of Detroit, Detroit, Michigan or at the office of the State Treasurer, Lansing, Michigan. Coupon bonds in the denomination of $1,000 registerable as to principal only or as to both principal and interest. Temporary bonds will be delivered pending issuance of definitive bonds.

Interest exempt from Federal Income Taxes under present laws
Tax exempt in the State of Michigan
Legal Investment, in our opinion, for Savings Banks and Trust Funds in New York, Michigan, Connecticut and certain other States and for Savings Banks in Massachusetts

These bonds, to be issued for Veterans' purposes, in the opinion of counsel will constitute valid and legally binding obligations of the State of Michigan, and for the payment of the principal and interest thereon the full faith and credit of the State are pledged.

AMOUNTS, MATURITIES AND PRICES
(Accrued interest to be added)

Amount	Due	To Yield	Amount	Due	To Yield	Amount	Due	To Yield or Price
$10,800,000	1948	.65%	$10,600,000	1954	1.15%	$11,800,000	1960	1.45%
9,000,000	1949	.75	10,800,000	1955	1.20	12,000,000	1961	100
9,000,000	1950	.85	11,000,000	1956	1.25	12,300,000	1962	99½
10,000,000	1951	.95	11,200,000	1957	1.30	12,600,000	1963	99
10,000,000	1952	1.05	11,400,000	1958	1.35	12,900,000	1964	98½
10,000,000	1953	1.10	11,600,000	1959	1.40	13,000,000	1965/1952	98

The bonds maturing in the year 1965 will be redeemable by lot at the option of the State of Michigan at par and accrued interest on any interest payment date on and after March 15, 1952.

When, as and if issued and received by us and subject to approval of legality by Messrs. Wood, King & Dawson, New York, N. Y.

The offering circular may be obtained in any state from only such of the underwriters, including the undersigned, as may legally offer these bonds in such State.

Bankers Trust Company — The National City Bank of New York — The Chase National Bank — First National Bank (New York) — Bank of America N. T. & S. A.

Halsey, Stuart & Co. Inc. — The First National Bank of Chicago — Harris Trust & Savings Bank (Organized as N. W. Harris & Co., 1882. Incorporated 1907.) — The Northern Trust Company — Chemical Bank & Trust Company

Blyth & Co., Inc. — The First Boston Corporation — Lehman Brothers — Harriman Ripley & Co. (Incorporated) — Smith, Barney & Co.

First of Michigan Corporation — Drexel & Co. — Phelps, Fenn & Co. — Kidder, Peabody & Co. — Blair & Co., Inc. — Goldman, Sachs & Co.

Paine, Webber, Jackson & Curtis — Braun, Bosworth & Co. (Incorporated) — Salomon Bros. & Hutzler — R. W. Pressprich & Co. — Equitable Securities Corporation

Merrill Lynch, Pierce, Fenner & Beane — Stone & Webster Securities Corporation — Estabrook & Co. — Mercantile-Commerce Bank & Trust Company — Otis & Co.

Hallgarten & Co. — F. S. Moseley & Co. — Stranahan, Harris & Co. (Incorporated) — R. H. Moulton & Company — The First National Bank (OF PORTLAND, OREGON) — Seattle-First National Bank

Watling, Lerchen & Co. (Detroit) — Lee Higginson Corporation — Bear, Stearns & Co. — Harris, Hall & Company (Incorporated) — John Nuveen & Co. — A. G. Becker & Co. (Incorporated) — Coffin & Burr (Incorporated)

B. J. Van Ingen & Co. Inc. — A. C. Allyn and Company (Incorporated) — Hornblower & Weeks — Graham, Parsons & Co. — Hemphill, Noyes & Co. — Weeden & Co., Inc.

Adams, McEntee & Co. (Incorporated) — The National Bank of Commerce (OF SEATTLE) — McDonald-Moore & Co. (Detroit) — Miller, Kenower & Company (Detroit) — H. V. Sattley & Co. (Incorporated, Detroit) — E. H. Rollins & Sons (Incorporated)

Kean, Taylor & Co. — W. E. Hutton & Co. — Alex. Brown & Sons — L. F. Rothschild & Co. — Dick & Merle-Smith — Bacon, Stevenson & Co.

Eldredge & Co. (Incorporated) — Geo. B. Gibbons & Company (Incorporated) — Francis I. duPont & Co. — Roosevelt & Cross, Inc. — Chas. E. Weigold & Co. (Incorporated) — Tucker, Anthony & Co.

C. F. Childs and Company (Incorporated) — Dominick & Dominick — W. H. Morton & Co. (Incorporated) — Commerce Union Bank — G. H. Walker & Co. — Central Republic Company (Incorporated)

Trust Company of Georgia — California Bank (Los Angeles) — City National Bank & Trust Co. (Kansas City) — Commerce Trust Company (Kansas City) — The Illinois Company — The Milwaukee Company

The Wisconsin Company — William Blair & Company (Chicago) — Kebbon, McCormick & Co. (Chicago) — National City Bank (OF CLEVELAND) — Hayden, Miller & Co. (Cleveland) — Crouse & Company (Detroit)

Cray, McFawn & Company (Detroit) — Campbell, McCarty & Co. (Incorporated, Detroit) — Donovan, Gilbert & Co. (Lansing) — Nordman & Verral (Incorporated, Detroit) — S. R. Livingstone & Co. (Detroit) — E. H. Schneider & Co. (Kalamazoo)

March 5, 1947. Statements, while not guaranteed, are based upon information which we believe to be reliable.

Real Estate Securities

While trading in real estate common stocks is now very largely confined to a few professionals in the securities business, there is a suggestion—though admittedly an extremely faint one—among the factors which can conceivably have a bearing on market trends that at some time in the indefinite future public interest in real estate common stocks may assume proportions which, compared to present dimensions, must seem of noticeable and significant size.

The real estate securities market is primarily a bond market and common stocks will come more to the fore as bond debt is reduced or retired. At one time last year, there was a spurt of market interest in common stocks. Reports were numerous that hotels and commercial buildings generally were making substantial progress in paying of their indebtedness with high earnings and investors naturally speculated as to what this might mean in terms of higher equity values.

It is probably best that it is the professionals who are doing most of the buying and selling of the common stocks. It is they, after all, who, living day-after-day and year-after-year with the financial problems of the various properties whose securities are on the market, are most conversant with the intricacies and what to the casual observer must and does seem as the confusing detail of the many and novel reorganization arrangements, the refundings, recapitalizations and all the other legal and financial maneuvers that have been used to keep heads well above the water of insolvency throughout the entire real estate field in the last couple of decades.

It is not surprising, however, that non-professional investors may at times wonder just a little whether in by-passing real estate common stocks they aren't making something of a mistake. There is some question, for instance, as to just what extent the public will be permitted to participate in the financing of the large volume of new construction of hotels and commercial buildings, but especially the latter, that is expected to get under way in about three years or so. According to a widely held view, the insurance companies, which are loaded with money are more than likely to be entirely willing to assume all the financial risks involved in these operations.

Investors in the real estate promotions of the twenties may have taken a beating but of course this does not imply that all real estate financing is of necessity inordinately exposed to crushing losses. Real estate management has learned much from its experiences with depression economics and, if the public is given a chance to take part in the financing of new construction during the next few years, it may be able to share generously in the benefits resulting from the sounder business procedures which these experiences have taught the business to follow. However, there is no certainty that contractors and building promotors will feel any need to turn to the smaller investors for any considerable amount of funds and, if the general public is left out of the financing plans, existing real estate common stocks could assume a certain scarcity value that might enhance their attractiveness all around.

The realization is growing among investors, too, that some real estate common stocks, that is, those which, in reorganizations, have been given wholly or partially in exchange for bonds orginally outstanding, can be liquidated at increasingly better prices. As financial structures improve through debt reduction and the like, equity interests naturally become more attractive. Some institutional and other investors, such as investment companies, realizing this have been acquiring the stock controlling various properties.

Real estate securities continue to hold their own well against certain bearish trends that have manifest themselves in the stock market as a whole. Though there has been at times some tendency toward weakness in real estate along with securities in general, real estate has to a considerable degree held firm and, in numerous cases, actually shown improvement, even if only slight improvement. The various factors underlying the real estate securities market would thus seem to possess encouraging features which could very well be absent in some other sections of the securities market.

Mathews Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Edward E. Mathews Co., 53 State Street, have added to their staff Aime E. DeBoisbriand, Charles J. Demarais, Nathaniel C. Foss, Carl W. Harris, Harold L. Kidd, Joseph S. Manazer, Robert E. O'Toole, George C. Schultz, John H. Turner, and Edwin Wood.

John D. Scott in Houston

HOUSTON, TEX.—John D. Scott has formed John D. Scott and Co. with offices at 606 Harold Street, to engage in the securities business. Mr. Scott was formerly an officer of J. R. Phillips Investment Company, Inc.

Bankers Trust Group Offer $200,000,000 Michigan Bonus Bonds

The largest single issue of corporate, State or municipal bonds to be marketed through underwriters up to the present time was offered March 5 with the public sale of $200,000,000 State of Michigan 1½% veterans' bonus bonds by a nationwide group of 212 underwriters headed by Bankers Trust Company; The National City Bank of New York; The Chase National Bank; Halsey, Stuart & Co. Inc.; First National Bank, New York, and The First National Bank of Chicago. The bonds, due March 15, 1948-65, are priced to yield from 0.65% for bonds maturing in 1948 to a dollar price of 98 for the 1965 maturity.

Bonds maturing in 1965 will be redeemable by lot at the option of the State on and after March 15, 1952, at par and accrued interest.

The issue was awarded to the group at competitive bidding on March 4 on a bid of 100.266 with a net interest cost to the State of 1.47%. Proceeds from the sale of the bonds will be used by the State to finance in part its bonus plan for veterans of World War II resident in Michigan.

Dempsey & Co. Offers Hercules Steel Stock

Dempsey & Co. is heading a nation-wide investment banking syndicate offering today (Thursday) 230,000 shares of common stock of the Hercules Steel Products Corporation at $4.375 per share. Associated with Dempsey & Co. in the underwriting are: Herrick, Waddell & Co., Inc.; Mason Brothers, Courts & Co.; Johnston, Lemon & Co.; and Straus & Blosser.

Located at Galion, Ohio, the Hercules Steel Products Corp. is one of the largest manufacturers of steel dump truck bodies and hydraulic hoists, metallic vaults, coal conveyors with hydraulic motors, and other allied steel products. Proceeds of the financing are to be used to reduce bank loans and provide additional corporate funds for expansion.

With John A. Dawson Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Frederick F. March has become associated with John A. Dawson & Co., 1 North La Salle Street. Mr. March was previously with King Merritt & Co. in Los Angeles and prior thereto with Union Security Co. of Chicago.

With Strauss Bros. Inc.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA.—William H. Bryant is now with Strauss Bros., Inc., Pan American Bank Building. Mr. Bryant was previously with Blair F. Claybaugh & Co.

With William Blair & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Edward McC. Blair is with William Blair & Co., 135 South La Salle Street, members of the New York and Chicago Stock Exchanges.

Employment Outlook Good

(Continued from page 1253)

that had been unavailable or in short supply for 3 or 4 years.

Peak Employment in 1946

By the Spring of 1946, total civilian employment surpassed the war-end level. Even last month at the depth of the winter seasonal slack period in farming, construction, and other outdoor industries there were 55½ million people employed—about 2 million more than on V-J Day and 4½ million more than a year ago.

Virtually all of the employment gains since the end of the war have taken place in nonfarm industries. Even though almost a million World War II veterans worked on farms last summer there was little net increase in agricultural employment because there were declines among women, teen-age boys, older men, and foreign workers who had been recruited to meet peak seasonal needs during the war.

All major divisions of nonfarm employment have shared in the postwar increases except the principal munitions-producing industries and the Federal Government. Losses in war activities have been overbalanced by substantial gains elsewhere, especially in construction, trade and service, soft-goods manufacturing, and building materials.

With the help of this favorable economic climate the reabsorption of veterans into civilian jobs proceeded as smoothly as the most optimistic of us could have predicted. Perhaps the most eloquent testimony to the initial success of our reconversion effort is the fact that there were almost 11 million ex-servicemen employed last month.

The Present Picture

But, encouraging as this picture is, it is only a good beginning. There are still almost a million veterans currently seeking employment. In addition there are 1¼ million ex-servicemen going to school who in the next few years will be in the market for jobs commensurate in skill and earnings with their education and training. Whether they find these jobs depends on whether we can succeed in keeping the current high rates of economic activity.

The President, in his economic report to the Congress, pointed out the elements of strength and weakness in the current economic situation. "On the plus side of the economic ledger," says the President's report, "we possess a fabulous wealth of resources. Our industrial plant is larger and, in many cases, better than ever before. Funds for business expansion are ample and profit incentives are high in most lines. Our labor force has greatly increased its number of semi-skilled and skilled workers. The spending power of consumers, as a whole, is much higher than it ever was before the war. Consumer desires are fortified by a backlog of unsatisfied wants, particularly for housing, commercial construction, automobiles, household appliances, furnishings, and other durable goods. There are long-deferred and needed public works. . . . There is a strong and sustained foreign demand. . . . We can be optimistic about the desire to buy, because of the higher standards of living which almost all of our people have recently eenjoyed and which they do not want to forego."

On the other hand, the President pointed to the weaknesses which can—though they need not—lead us into recession: "Chief among the unfavorable factors is the marked decline in real purchasing power of great numbers of consumers, resulting from the large price increases in the second half of 1946. . . . If price and wage adjustments are not made—and made soon enough—there is danger that consumer buying will falter, orders to manufacturers will decline, production will drop, and unemployment will grow. . . .

"Labor-management strife, with severe work stoppages, remains a possibility. This would directly interfere with production or employment by creating or intensifying shortages. . . ."

Briefly then, high and rising prices and the resulting crimp in consumer purchasing power appear to be the chief dangers confronting us today. The threat of a breakdown in industrial relations which would lead to serious work stoppages now seems more remote than it did a few months ago. There have been no major strikes this year; and the recent interim agreements in construction, steel, automobiles, and rubber suggest that both management and labor are turning their attention more and more to the difficult but profitable business of making collective bargaining *work*.

General Outlook Good

Thus, assuming that price and wage adjustments are made soon enough to prevent a damaging slump in consumer buying, the general outlook for employment is good. The strong demand for consumer durable goods and building materials will provide a firm base for continued high employment in the heavy manufacturing industries. Even if there should be a slackening of the demand for industrial plant and equipment, which is possible, expanding production of automobiles, refrigerators, and housing equipment will very likely offset it. Furthermore, new plants and equipment, built during 1946, are coming into production and will need to be manned.

In the manufacture of soft goods, and in the related trades and service industries the outlook is less clear. The initial decline of purchasing power has already been felt in such luxury lines as furs, beverages, and amusements, and this we must take as a warning signal. While these in themselves affect only a small fraction of the labor market, we must recognize the decline in sales in these trades as a portent of what may happen when purchasing power begins to wear thin. Increased supplies of durable goods are beginning to compete for the available supply of consumer dollars. While there is still a strong demand for good quality, unless price adjustments are made, we may have to face declines of sales and employment in such industries as men's and women's clothing, luxury foodstuffs, and amusements and other dispensable services.

Construction to Expand

There is reason to expect that construction will continue to expand up to the limits of available materials and labor. This area of our economy is of particular importance to the veteran. We cannot blink at the fact that housing for veterans remains a critical problem in many areas. A substantial proportion of our returning servicemen have had to share quarters with relatives or friends; many are still living under overcrowded conditions, and many reside in dwellings requiring major repairs.

Nevertheless we have made considerable progress. Let us keep in mind that the extraordinary demand for housing is at a level never before reached in this country. Despite shortages of building materials and equipment, transportation difficulties, and other snags of the reconversion period 670,000 new permanent homes were started and 450,000 completed in 1946. This is about two-thirds the number completed in 1941, the best recent home-building year.

Barring unforeseen obstacles we expect about a million new *permanent* dwelling units to be started and 950,000 completed in 1947. This would compare favorably with the previous all-time peak in residential construction reached in the mid-twenties. About one-fifth of the new units will be in apartments and other multi-family structures which are usually built to rent.

Although the greatest increase is expected in residential construction this year, there will also be considerable expansion in commercial building, highways, and public utilities construction. We expect that more than 2½ million workers will be needed on the site of new construction at the height of the season next September. This exceeds last year's top figure by three-fourths of a million and approaches the high levels of the twenties.

Expenditures for new construction this year will total almost $15½ billion—the greatest dollar volume in the country's history. But this does not mean that the physical volume will hit a new high, since it will take more dollars than in former years to pay for the necessary materials and labor. If we adjust for differences in price level, we find that the 1947 program is about 10% below that carried out in 1942 when war construction hit its peak.

The deferred demand for construction should provide a strong support for the American economy—not only this year, but for a number of years to come. Most of you will recall that it was a dominant force in the business upswing from 1922 to 1925. But rising costs could seriously threaten high volumes of housing activity. In 1919-1920, residential construction was the first sector of demand washed out by rising prices and also the first to rebound with an indication of declining prices.

Labor Supply

So much for the things that will affect labor demand. Now let us take a look at the supply.

The rapid demobilization of the Armed Forces and the absorption of veterans into civilian life have left the civilian labor force some 5 million greater than it was at the end of the war. These changes, during the war and since, provide some clews to the shifts which are taking place in the labor force. Of the estimated 8 million men and women whose entry into the market during the war supplemented the normal working population, less than 2 million remain. The greatest decline in the numbers of these "extra" workers in the past year has been among youths of school and college age. Next in importance has been the retirement of 1½ million women between the ages of 20 and 35. There are, as a matter of fact, now 1 million fewer women of this age in the labor market than we might have expected on the basis of prewar conditions. In contrast, only half of the women over 35, and virtually none of the middle-aged men, who entered the labor market during the war have since retired from it. It is unlikely that they will, as long as there are good jobs for them.

It is estimated that the normal growth of population of working ages will add about one-half million to the labor supply in 1947. A great part of these, of course, will be available for employment at the mid-year, after the close of the school term. In addition, some part of the 1¼ million veterans who are now attending full-time school will complete their schooling and return to the labor market during the year.

We can be less certain about the number of women who will become available for employment during the year. The elasticity and adaptability of the female labor supply were amply demonstrated during the depression and during the war. The high rates of marriages and births will probably limit the number of young women who will be available during the next few years; but there is still a great reserve of women above 35. How many of these will actually become available will depend largely on the willingness of employers to use them in jobs that make it worth their while to work.

Currently the labor supply situation seems to be a bit easier than it has been in recent months. Surpluses of unskilled and semi-skilled workers have been reported in many areas, though shortages persist in certain skilled occupations and in some of the less attractive types of jobs.

Much of this easing, however, is clearly temporary. Many workers now idle in industries such as construction will be rapidly absorbed in the coming spring months and more will be needed. Moreover, basic industries like iron and steel are now producing at record peacetime levels. Prospects seem favorable for an uninterrupted flow of materials which would relieve many production bottlenecks in the next few months. A renewed tightening of the labor market may very well be in the offing.

When I last spoke to you in San Francisco about five months ago there was quite a general consensus on the part of business analysts that this country would experience an economic recession in 1947. There now seems to be much less unanimity of opinion on this subject. But regardless of whether or not we have a recession in 1947, the tremendous backlog of unfulfilled demand both at home and abroad points to a generally high level of production and employment for the next few years.

The real challenge to the economic and political know-how of the nation will come after the special demands created by the accumulation of needs during wartime are in the past. Under the Employment Act of 1946 it is the stated policy of the Federal Government to foster conditions of maximum employment, production and purchasing power. I can think of nothing more vital to the future peace and prosperity of veterans and of all Americans—indeed of all the world's people—than the success with which this policy is carried out.

Sproul Reports Drop in Banking Profits Related To Capital Funds

Excepting in case of large New York City Banks, cause was relatively large gains in capital funds. Postwar decline was particularly sharp in New York City. Forty-six per cent of banks in Second Federal Reserve District increased dividends, report for 1946 shows.

In 1946, net profits after all charges, but before payment of dividends, averaged 11.2% of capital funds for all member banks in the Second Federal Reserve District, compared with an all-time peak of 11.6% in 1945, avoiding to an announcement by Allan Sproul, President of the New York Federal Reserve Bank Feb. 25. These percentages represent unweighted averages of the percentages for individual banks; the ratio of aggregate profits to aggregate capital funds, which is dominated by the figures for the New York City banks, receded sharply in 1946.

Allan Sproul

Except for the 22 large New York City banks, those with deposits in excess of $100,000,000, the principal cause of the moderate decline in the rate of return on average capital funds was the failure of profit increases to keep pace with the precentage gain in average capital funds.

Mr. Sproul pointed out that just as the large New York City banks led the way toward higher profit rates in the war period, they also led the change to lower profit rates in 1946. Their average profits, relative to capital funds, were just under 8% last year compared with nearly 11% in 1945. On the other hand, the smallest banks in the District, those with less than $2,000,000 of deposits, showed an actual increase in 1946 —from 9.2% to 10.4%. Banks of intermediate size had slightly lower profit ratios on the whole. Their actual profits increased in many cases, but not so much as their capital funds.

In the early war years, the large New York City banks invested their excess reserves more quickly and fully than the other member banks in the District. They also made greater use of the war loan mechanism in paying for government securities and participated to a greater extent in financing war contractors and making loans against government securities. Owing to these factors and to greater proportionate profits from security sales, net profits of the New York City banks advanced during the first year of this country's participation in the war. Net profits of the smaller banks declined as they substituted relatively low-yielding government securities for higher-yielding loans and made increased interest

(Continued on page 1284)

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

There has been a slow and hesitant upward trend in the market thus far this year. The Dow-Jones Industrial Averages closed 1946 at 177.20, moved seven points to a high of 184.49 on Feb. 8, but subsequently declined to 178.90 on Feb. 28, a level approximately 1% above that of Dec. 31, 1946.

New York City bank stocks, however, have not duplicated this performance; on the contrary, as measured by the "American Banker" Index, they have rather persistently and consistently declined from 44.3 on Dec. 31, 1946 to 42.8 on Feb. 28, 1947, a drop of 3.4%. The market performance of individual bank stocks is as follows:

	Asked Price 12/31/46	Asked Price 2/28/47	Market Change	Current Dividend Yield
Bank of Manhattan	30	28	—6.7%	4.3%
Bank of New York	380	360	—5.3	3.9
Bankers Trust	45¼	44¾	—1.1	4.0
Central Hanover	106½	104½	—1.9	3.8
Chase National	40½	39¾	—1.9	4.0
Chemical Bank & Trust	47¼	44½	—5.8	4.1
Commercial National	45¾	45	—1.6	3.5
Continental Bank & Trust	20⅛	18¾	—6.8	4.3
Corn Exchange	56¾	60	+5.7	4.0
First National	1675	1580	—5.7	5.1
*Guaranty Trust	343	304	—1.5	4.0
Irving Trust	19⅛	18	—5.9	4.4
Manufacturers Trust	60	58	—3.3	4.1
National City	46⅝	42⅜	—9.2	3.8
New York Trust	101½	98½	—3.0	4.1
Public National	45½	44	—3.3	4.5
U. S. Trust	755	695	—7.9	5.0
Average of 17			—3.8%	+4.2%

*Adjusted for 11.11% stock dividend.

This tabulation shows a very irregular and erratic pattern, some of the strongest stocks going off most, such as National City with a drop of 9.2%; Chase declined only 1.9%, while Guaranty Trust, despite its recent dilution of shares, declined only 1.5%, after adjustment. However, an important factor in this situation is the resultant 11% increase to stockholders in the cash dividend, assuming the $12 rate per share is to be maintained. Corn Exchange is the one stock in the group which has moved against the market trend with an appreciation of 5.7%.

At current stock prices the average dividend yield on the 17 stocks is 4.2%, an extremely attractive return in view of the safe coverage of dividends by net operating earnings (implying continuity of dividend rates), and the favorable long-term prospects of American industry and, hence, of commercial banking. When bank stocks, such as Bankers Trust, Chase and Guaranty, can be bought to yield 4%, it looks like opportunity to this observer; but he is not so favorably impressed by the 5% yield of First National and U. S. Trust. Manufacturers Trust at 4.1% and Public National at 4.5% appear excellent, particularly in view of their wide margin of net operating earnings over dividends of 2.2 and 2.4, respectively; the same can be said of Bank of Manhattan and Corn Exchange with ratios of 2.1 and 2.3, respectively.

Bank earnings for 1947 should not vary greatly from the high level achieved in 1946; in some instances net operating profits may show further improvement. Total earning assets are still close to the highest level in history, although there has been some shrinkage and this may continue further, but this shrinkage has been solely in the category of government securities and is associated with the Treasury debt retirement program. In the more important and profitable category of commercial borrowings there was considerable expansion in 1946, and this expansion is continuing thus far in 1947. Total commercial and industrial loans of New York City member banks increased from $2,830,000,000 on Jan. 2, 1946, to $3,776,000,000 on Dec. 31, 1946, an increase of $946,000,000, or 33.5%. Thus far in 1947 the increase has been from $3,776,000,000 to $3,968,000,000 on Feb. 26, a gain of $192,000,000, or 5.1% in two months.

Total government securities held by these banks declined from $12,013,000,000 on Dec. 31, 1946, to $11,323,000,000 on Feb. 26, 1947, a drop of $690,000,000, or 5.7%. It is significant that this decline has been confined to bills, notes and certificates, while holdings of the longer term, higher yield, obligations of the government remain approximately at the same level as on Dec. 31, 1946, viz, $9,212,000,000.

There has also been a moderate decline in deposits this year, as indicated by the weekly releases of the New York Clearing House Association, which reported total deposits of $23,190,042,000 on Jan. 2, 1947, and of $22,466,237,000 on Feb. 28. The decline amounts to $723,805,000, equivalent to approximately 3%.

The item of chief importance to watch this year is the trend of commercial and industrial loans, and of next importance, the relative expansion or contraction of short-term vs. long-term government obligations. These figures are reported weekly by the Federal Reserve, and are usually published in the newspapers each Friday for New York and Chicago, and each Wednesday for the "101 Cities."

First Boston Offers Okla. Gas & Elec. Com.

An investment banking group headed by The First Boston Corp. is offering to the public today (Thursday) 140,000 shares of Oklahoma Gas & Electric Co. common stock at $39.50 per share. The shares, issued by the company for retirement of a part of existing debt and for the financing of new construction, were awarded to The First Boston Corp. and associated underwriters at competitive bidding on Tuesday.

Of the proceeds from the sale of the additional shares, $1,470,000 will be applied to the prepayment of an equal principal amount of the company's outstanding 1⅞% serial notes dated May 28, 1946. The balance of the proceeds will provide funds for the acquisition and construction during 1947 of additions and betterments to physical properties, involving the expenditure of an estimated $6,100,000.

Giving effect to this financing and the proposed debt reduction the company's outstanding capitalization will consist of $42,000,000 of funded debt; 675,000 shares of 4% preferred stock and 890,000 shares of common stock. The company has paid cash dividends on its common stock in every year since 1908. Payments in the last two 1946 quarter-yearly periods were 43¾ cents per share each or at an annual rate of $1.75.

The company is now a subsidiary of Standard Power & Light Corp. and Standard Gas & Electric Co. but an order of the Securities and Exchange Commission requires divestment of this parent company control. Oklahoma Gas & Electric Co., organized in 1902, is engaged in the production, transmission, distribution and sale of electricity in Oklahoma and Arkansas. Population of the territory served by the company is estimated at 800,000.

With King Merritt & Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Emrick A. Rudquist has become associated with King Merritt & Co., Inc., 55 Liberty Street, New York City.

J. G. Kinnard Co. Adds

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Frederick A. Tews has become affiliated with John G. Kinnard & Co., Baker Arcade.

Sees Inflationary Dangers Ahead

National City Bank points to consequences of a resumption of price rises induced by psychology of speculation. Fears new demands for wage increases.

The March issue of the "Monthly Bank Letter" of the National City Bank of New York in discussing the outlook of business in relation to its price trend, expresses concern over further inflationary dangers in the situation. According to the "Letter," most fears as to the outlook for 1947 have been based on belief that the rapid rise of prices and living costs last Fall would price goods out of the market, that the effects would show as the most pressing demands were satisfied, and that speculation and inventory accumulation would be followed by a reaction. Many qualified observers have pointed out these dangers and advocated restraint in buying, reduction of prices, hard work and saving to keep the situation in order. Improvement in sentiment during the winter was based largely on the evidence of caution and of readiness by retailers particularly to make adjustments, and also on the declines in food prices toward the end of the year and the prospect that the cost of living might soon turn downward.

"If these views were warranted, the resumption of commodity price advances is to be deplored rather than welcomed. It defers hope of a downturn in the cost of living. Thereby it raises the danger that wage demands will be larger and more insistent, possibly leading to a fresh round of strikes or to another turn of the wage-price spiral. It augments the danger that excessive commitments may be made at inflated prices. To the extent that higher food prices take more out of consumers' pocketbooks, factory workers and city people will have less to spend on other goods. Where the rise forces advances in merchandise prices, distributors will have to cover requirements at the risk that their customers may not buy when the goods reach the counters sometime hence.

"It is true that higher farm prices will produce a higher income for farmers and increase their buying power for the products of factory workers. However, prosperity depends not upon what any population group can get for its product, but upon equitable relations between prices of all kinds of goods and services and the incomes of all groups. In previous issues of this "Letter," as well as in analyses of the situation in many other quarters, the view has been presented that price and income relationships would be in better balance, and better calculated to prolong a high level of production and trade, if food prices would come down. The rise in prices of the farm products included in the Bureau of Labor Statistics wholesale price index, from 1939 to the present, has been 160%, while all other prices have risen 60%. This is not a precise measure of imbalance, for agricultural prices were too low in 1939. But farmers have no complaint on that score now, and it is the purchasing power of other groups of the population which causes concern.

The Outlook

"Whether depressing consequences actually flow from this resumption of the price rise will depend first upon the further course of the markets, and second upon the policies of businessmen and union leaders. Some of the influences raising farm prices have been quite temporary in character, such as interference of winter weather with transportation and marketing, the seasonal decline in hog slaughter, and possibly also the psychological factors. Moreover, the rise does not alter the opinion of authorities on the agricultural outlook that in the long run, and probably not later than the latter part of this year, farm prices will have to recede. Prices are now supported by an enlarged export program, but a substantial part of these exports is being donated by this country to avert starvation abroad and another part is being financed by U. S. Treasury credits. The American people will want to continue these exports as long as they are required. It is plain that they will be greater in 1947, and that their effects will be felt longer, than had been expected. But our farmers will not continuously enjoy these markets, and when they shrink, prices must be expected to shrink with them.

"Meanwhile the situation holds various dangers, some of which have been alluded to. One is the danger that an unwarranted confidence in the price level, and in the continuation of inflationary advances, will spread. Inflationary psychology induces speculation, and the rise increases inventory hazards. Even people who realize the dangers may be forced to buy to stay in business. Another is the danger of further increases in farm land prices, despite fears that present advanced prices in many cases cannot be supported by the value of production from the land in the years to come. In both cases the need is for restraint, and a cautious view.

"The paramount danger, however, is that the price rise will cause the labor unions to press their wage demands harder and further than has recently seemed probable. The argument that wages should be raised to compensate for higher food prices overlooks many other factors. Mainly it overlooks the fact that costs and prices of other goods would be raised, and that everyone who did not get the wage increases would be penalized not only in the cost of food, but in the cost of all the products of organized labor. In the longer view, it overlooks the graver imbalance that might exist a few months from now if factory wages, costs and prices were raised, only to have farm prices fall. Wage rates, once lifted, become relatively fixed and inflexible. Farm prices, on the other hand, at all levels above government support prices, are set in free markets and must equate supply and demand.

"The main interest of the farmer, of labor, of businessmen and of every group of the population should be in balanced prices and economic stability. The remedy for price increases that threaten stability is to buy less, not to do things that will push them up further. What is now needed to strengthen the situation is precisely what was needed last Fall, namely, industrial peace, large and efficient factory and farm production, lower costs and prices, wage stability, and finally the kind of caution and restraint that will keep inventories and commitments in order and avoid pyramiding the demands on the markets."

Keith Schneidau Is now With Goldman, Sachs Co.

BUFFALO, N. Y.—Keith Schneidau is now representing Goldman, Sachs & Co. from offices in the Rand Building. In the past he was with Halsey, Stuart & Co.

Mutual Funds

By JOHN DEAN

On Feb. 21, 1947 **Hugh W. Long & Co.** wrote to correspondents that they are not contemplating a change in distribution charges on dealer compensation shares of funds they sponsor. They mentioned the difficulties in educating the investing public to the advantages and principles of investment companies. This teaching involves efforts and often as not, time and expenditure, which they think should be adequately compensated for. Moreover, they asked "an expression of opinion from you and your associates as to the validity of our conclusions."

Discussion of Federal Taxes

Abstracts, containing current information for distributors presented by **Lord, Abbett & Co.**, carried in their Feb. 24, 1947, issue a discussion on Federal taxes. In referring to the Federal tax status of dividends received by a corporation, they contend that investing funds in **Union Bond Funds** would be better than owning securities directly.

Six Features in One Certificate

Current literature of the **National Securities and Research Corporation** states that in buying **National Bond Series**, six important features are combined in one certificate making for easier estate settlement, diversification, supervision, dependable income, and liquidity. That a large New York trust company acts as trustee and distributes all funds is stressed. Such factors, say the **National Securities and Research Corporation**, are part of what makes **Bond Series** a group designed for price stability and excellence.

Advantage of Holding Diversified List

Cities Service Company announced its new plan on Feb. 14, 1947, of offering increased amounts in retirement of its three classes of preferred stock. This provides for payment of these shares through the issuance of 3% debentures; however, the maturity of the debentures has been reduced from 50 to 30 years. The amount to be issued provides for full payment of the redemption price on the $6 cumulative preferred stock of $112 per share, in addition to all arrears. This type of news, it is pointed out by **Union Preferred Stock Fund**, is a good reason for holding a diversified list which includes issues carrying dividend arrears.

Social Security Taxes Increase

"These Things Seemed Important," the Digest written by **Selected American Shares**, explains that the Social Security taxes collected in 1946 totaled $1,784 million, an increase of $35 million over '45. Some other things mentioned are: the Chinese dollar has been fixed at 12,000 to one U. S. dollar; the Saturday closings of New York state banks.

[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.]

National Committees Appointed by NASD

The National Association of Securities Dealers, Inc. announces the appointment of the following national committees by Herbert F. Boynton, H. F. Boynton & Co., New York City, chairman of the board of governors:

Investment Trust Underwriters Committee—Herbert A. Bradford, Chairman, Calvin Bullock, New York; Herbert R. Anderson, Distributors Group, Incorporated, New York; Chas. F. Eaton, Jr., Eaton & Howard, Incorporated, Boston; Hugh W. Long, Hugh W. Long & Company, Incorporated, New York; David T. Sanders, Vance, Sanders & Company, Chicago; S. L. Sholley, The Keystone Company of Boston, Boston; Henry J. Simonson, Jr., National Securities & Research Corporation, New York.

Public Relations Committee—William K. Barclay, Chairman, Stein Bros. & Boyce, Philadelphia; Ralph Chapman, Farwell, Chapman & Co., Chicago; James Coggeshall, Jr., The First Boston Corporation, New York; June S. Jones, Atkinson-Jones & Co., Portland; Henry G. Riter, 3rd, Riter & Co., New York.

Quotations Committee—George Geyer, Chairman, Geyer & Co., New York; Harry L. Arnold, Paine, Webber, Jackson & Curtis, New York; Howard E. Buhse, Hornblower & Weeks, Chicago; A. C. Purkiss, Walston, Hoffman & Goodwin, Los Angeles; Herman J. Sheedy, McDonald & Company, Cleveland.

Railroad Advisory Committee—Pierpont V. Davis, Chairman, Harriman Ripley & Co., Incorporated, New York; Charles L. Bergmann, R. W. Pressprich & Co., New York; George W. Bovenizer, Kuhn, Loeb & Co., New York; Fairman R. Dick, Dick & Merle-Smith, New York; Rowland H. George, Wood, Struthers & Co., New York; John F. B. Mitchell, Wood, Walker & Co., New York; Robert G. Rowe, Stroud & Company, Incorporated, Philadelphia; Jean C. Witter, Dean Witter & Co., San Francisco; Orrin G. Wood, Estabrook & Co., Boston.

Traders Committee—B. Winthrop Pizzini, Chairman, B. W. Pizzini & Co., Inc., New York; Robert D. Diehl, William R. Staats Co., Los Angeles; Dayton P. Haigney, Dayton Haigney & Co., Boston; Clair S. Hall, Jr., Clair S. Hall & Company, Cincinnati; George J. Muller, Janney & Co., Philadelphia; Harry L. Nelson, Blyth & Co., Inc., Chicago.

Uniform Practice Committee—Harold C. Patterson, Chairman, Auchincloss, Parker & Redpath, New York; Wilbur W. Wittenberg, Vice-Chairman, Blyth & Co., Inc., Minneapolis; W. B. Brown, William R. Staats Co., Los Angeles; C. P. Colwell, Merrill Lynch Pierce, Fenner & Beane, Philadelphia; Clement A. Evans, Clement A. Evans & Co., Atlanta; Reginald Martine, Harriman Ripley & Co., Incorporated, New York; Reuben Thorson, Paine, Webber, Jackson & Curtis, Chicago.

New York Stock Exchange Weekly Firm Changes

The new York Stock Exchange has announced the following changes:

Charles S. Hale & Co., New York City, was dissolved as of Feb. 28th.

E. Edward Bollinger, member of the Exchange, withdrew from partnership in Thomas G. Campbell & Co., New York City, on Feb. 21st, on which date company retired as a member firm.

Observations

(Continued from page 1249)

unexpended balance of the British loan, and more gold sales to us. While the highly uneven distribution of the resulting dollar reserves of $19 billion among countries makes the effectiveness of this cushion somewhat uncertain vis-a-vis individual foreign markets and debtor countries, it can be assumed that there will be no over-all ending of the supply of dollars in the early future.

Old Tricks in New Form

But the nature of these apparently new ways of distributing our dollars should be realized, both for judging their permanence and the possibilities for the recovery of their capital, for they can perhaps be considered in the same category of "device" for distributing and re-distributing "the chips" to enable our customers to continue playing, as we have used since World War One. Starting with moneys advanced via the defaulted war debts of that time, we then in the 1920's handed out purchasing power via "loans" channeled from our private investors through our investment bankers; and changed the technique in the 1930's by exchanging our dollars for the world's hoards of gold.

Since the end of World War Two, foreign currency has been made available through a great number of inter-governmental loans, of which the United States has been the chief source. As at the end of 1946, the total amount of postwar international credits totaled $15 billion, of which U. S. credits totaled $9 billion. The total of foreign loans and investments is about $16 billion, which, over the next few years, will be enlarged to about $21 billion, with annual debt service payments of $1.1 billion.

Which of the presently available devices for supplying dollars is now used by the foreign seekers after dollars, is an open, if unimportant, question. Uncertainty over a country's par values in the Monetary Fund, or preference for using up gold and foreign exchange reserves first, might cause a potential borrower to solicit from the Bank before the Fund. But in the long-run it would seem that dollar-hungry nations will queue up for help from all the institutions, and without regard to the so-called long-term or short-term characteristics of the forthcoming subsidies.

A "Net" Conclusion

In any event the "net" conclusion seems warranted that even apart from "non-recurring" extensions of funds for special purposes, the current accounts of the exchange of real wealth in the form of goods and services, must spell sizable deficits for our customers. Hence we are faced with the alternatives of either cutting down on our own exports or of continuing to extend subsidies in some form. The only freedom of action we have regarding the continuation of subsidies apparently is limited to whether to inform the public frankly and truthfully that it is subsidy, or whether to delude them that it is a *quid pro quo* value-received type of transaction, on the theory that our political unsophistication requires this. It seems to this column that in the long run, and taking all ramifications into account, the most advantageous, as well as the most ethical policy that can be pursued, is to make the public aware of the true nature of the situation and of the necessary costly remedies.

More About Stockholder Protection

Mr. A. Wilfred May,
Commercial & Financial Chronicle,
25 Park Place,
New York 8, N. Y.
Dear Mr. May:

Under the heading of "Observations" in your issue of Feb. 6, I feel the position of the average stockholder has not been treated with the seriousness and thoughtful consideration which it deserves. Feeling that you have no desire to be unfair may I request that you give this letter equal prominence in the paper.

Your statement about, "A handful of protesting minority stockholders who are self-styled protectors of the downtrodden American shareholders and etc.," gives a false impression in my opinion. I deny that we are just a handful and also deny that we have ever called ourselves "protectors of the downtrodden and etc." The records show in many corporations that the average holdings of each stockholder is only a hundred or so shares. As an example, consider American Telegraph. An examination of the stock holdings of many officers and directors of our corporations show an ownership of 100 shares, or a few over, by highly paid officers and directors. Can these gentlemen rightly object to interrogation by an investor who owns as much stock as they do? What difference does it make if a stockholder owns one or a hundred shares if his position on a question is tenable?

Who has a better right to question the actions of management than the shareholders whose investments made our corporations possible in the first place? Does capable management try to brush off legitimate protests, questions and suggestions by use of the term "cockeyed"? Is this not the method of old-time officers who looked upon the corporations they headed as their private oyster? Did not such conduct come near destroying our system of private corporate enterprise?

In labor disputes why call in lawyers and men from other lines of business when the financially interested stockholder could act as a third party? He is, or should be, interested in the welfare of both labor and management as he is the legitimate third party to the dispute. His investment and the returns from same is involved.

The term "corporation baiter" cannot rightly be applied to the average investor of today. Would we stockholders bait ourselves? Would we knowingly injure our own interests? We are not strike suit stockholders nor do we resemble in any way these gentry from other, and we hope passed, years.

It is true, Mr. May, as you state, we are not an organized body of stockholders and investors. If you have observed the attendance at the annual meetings in the past few years I feel sure you have taken notice of the growing number of shareholders who attend and who take an active part in the meeting. We have purposely steered clear of an organization with paid officers. While the growth of the movement has been slow we feel it has been sure. It would perhaps surprise many of the old style corporation officers to know how many officers of large corporations have recognized the worth of the movement. During the uncertain times of a few years ago when our system of private corporate enterprise was in danger, I think we did much to save our way of business life.

Thanking you for your consideration of the above, I am:

Yours, very truly,
S. CRAIG LITTLE

Spartanburg, S. C.
Feb. 20, 1947.

A CENTURY SPANNED

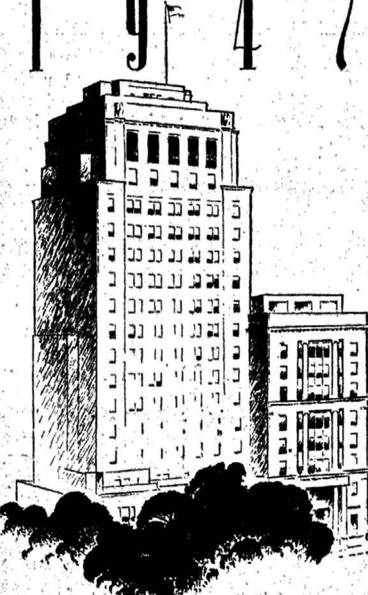
1 8 4 7 1 9 4 7

A one-room office at 91 Walnut Street in 1847

This is Penn Mutual's Centennial Year. In 1847, its first policy was written in a small office at 91 Walnut Street, Philadelphia, where the Company started business. Now in its hundredth year, over five hundred thousand Penn Mutual policyholders own life insurance amounting to $2,376,047,351.

Through five wars, through business depressions and upheavals, Penn Mutual has grown steadily, without loss to any policyholder. With a century's experience as a background, Penn Mutual looks forward to the increased opportunities for service to America's families that the next century will bring.

The new business paid for in 1946 totaled $247,201,264. This is an increase of $102,875,644 over 1945—the largest gain for a single year in the history of the Company. During the past year, $57,900,913.99 was paid to policyholders and their beneficiaries. Over a billion dollars of assets stand back of policyholders' funds as Penn Mutual salutes its second century of security.



Today's Penn Mutual Building standing back of Independence Hall

PENN MUTUAL'S 99TH ANNUAL STATEMENT

In accordance with the requirements of its Charter, this Company publishes the following statement which represents the principal features of its NINETY-NINTH ANNUAL REPORT to policyholders. A copy will be sent to you upon request.

STATEMENT OF INCOME AND SURPLUS RESERVE

For the Year Ended December 31, 1946

Your Company's income during the year consisted of:		
Insurance premiums, annuity deposits, dividends left with the Company to accumulate at interest, and policy proceeds left with the Company for future distribution under options of settlement	$104,731,116.57	
Investment income consisting of interest, dividends and rents, less net decrease of $354,827.87 in values of investments, and less expenses of foreclosed real estate including $104,938.76 for real estate taxes	31,280,909.47	
Net gain from sale or other disposition of assets	6,130,619.34	
Other income	74,569.77	
		$142,217,215.15
During the year your Company:		
Made payments of policy benefits to policyholders and beneficiaries amounting to	$ 57,900,913.99	
Made normal increases in the policy reserves and accumulated dividend fund amounting to	49,987,700.68	
Paid the cost of operations for the year, including $1,953,089.67 for federal and state taxes, licenses and insurance department fees, of which $450,000.00 represents estimated federal income tax for 1946	15,335,663.48	
		123,224,278.15
For the year 1946, your Company's net income was		$ 18,992,937.00
At January 1, 1946, the surplus reserve, for the protection of policyholders and available for mortality and investment fluctuations and other contingencies, amounted to		49,863,400.48
		$ 68,856,337.48
From the above, your Board of Trustees provided for:		
The payment of dividends to policyholders, on policy anniversaries during 1947, in the amount of	$10,650,000.00	
Further additions to policy reserves, in the amount of	5,012,759.00	
		15,662,759.00
So that the surplus reserve at December 31, 1946, amounted to		$ 53,193,578.48

STATEMENT OF FINANCIAL CONDITION

December 31, 1946

ASSETS

Cash on hand and in banks		$ 8,652,124.00
Bonds and stocks at amortized or other values prescribed by National Association of Insurance Commissioners:		
Bonds:		
United States Government direct obligations (See Note A)	$427,434,842.23	
Canadian Government direct and guaranteed obligations	18,090,123.56	
State, county and municipal obligations	13,358,417.11	
Railroad obligations	121,382,759.98	
Railroad equipment obligations	22,034,948.32	
Public utility obligations	135,592,269.96	
Industrial and miscellaneous obligations	109,880,777.22	
	$847,774,138.38	
Stocks, preferred and guaranteed	24,694,724.50	
		872,468,862.88
Mortgages:		
City	$109,858,571.39	
Farm	3,580,312.40	
		113,438,883.79
Real Estate:		
City	$ 7,283,282.48	
Farm	598,874.21	
	$ 7,882,156.69	
Home office building	6,535,751.35	
		14,417,908.04
Loans to policyholders on policies of the Company		42,158,581.21
Interest due and accrued on bonds, mortgages and loans on policies; and rents due and accrued on real estate		6,619,875.25
Premiums due and in process of collection from policyholders and premiums not yet due within current policy year, for which full statutory policy reserves have been set up; and miscellaneous assets		12,349,621.37
Total Admitted Assets		$1,070,105,856.54

LIABILITIES

Policy reserves which with future premiums and interest earnings provide for the payment of benefits as they fall due under the policies in force		$920,959,868.92
Dividends left by policyholders with the Company at interest, and interest credited thereon		63,712,684.48
Dividends payable to policyholders on policy anniversaries during 1947. (This amount is distributed from savings in mortality, expenses, etc., and from interest earnings in excess of amount required for policy reserves.)		10,650,000.00
Policy claims in process of settlement		4,055,577.34
Premiums, interest and rents paid in advance; accrued taxes; dividends to policyholders in course of payment; bills for current operating expenses; and miscellaneous liabilities		13,384,889.38
		$1,012,763,020.12
Surplus Funds:		
Reserve for mortgages	$ 2,500,000.00	
Unrealized appreciation on stocks and non-amortizable bonds	1,649,257.94	
Surplus reserve for the protection of policyholders and available for mortality and investment fluctuations and other contingencies	53,193,578.48	
		57,342,836.42
Total Liabilities and Surplus Funds		$1,070,105,856.54

NOTE A—United States Government bonds carried at $260,000 in the above statement are on deposit with certain States as required by law.

NOTE B—The Statement of Financial Condition and the related Statement of Income and Surplus Reserve are prepared in accordance with accounting principles applied by the Insurance Department of Pennsylvania.

THE PENN MUTUAL LIFE INSURANCE COMPANY

BACK OF YOUR INDEPENDENCE STANDS THE PENN MUTUAL

FOUNDED 1847 • INDEPENDENCE SQUARE • PHILADELPHIA

Railroad Securities

Judging from comments heard around financial circles and the action of a number of individual railroad securities, investors have lost sight of the fact that the operations of certain railroads are highly seasonal. As a matter of fact, the industry as a whole normally is subject to seasonal peaks and valleys in traffic and revenues. For roads like Great Northern the pattern is even more pronounced than it is for the industry as a whole. Under the stress of the war transportation demand the seasonal curve has been pretty well ironed out in recent years. Apparently its reappearance now that war distortions have been removed has caused some surprise, and some apprehension as to earnings for the full year on the basis of January results.

Great Northern is heavily dependent on the movement of iron ore. This important traffic item moves only when the Great Lakes are open to navigation. They do not open until around the middle of spring. Great Northern also relies heavily on wheat and other farm products. The heavy movement of these agricultural commodities comes in the fall after the crops have been harvested. From an earnings standpoint Great Northern's performance in the early and closing months of the year is also generally adversely influenced by winter weather.

Great Northern in the opening month of 1947 reported net operating income of $311,040, a sharp drop from the $1,039,234 realized a year earlier. Gross was slightly higher than it had been in January, 1946. This was in the face of a sharp decline in passenger revenues from the all time peaks being registered by most western carriers last year as troops were being brought home from the Pacific war. Merely compared with last year's performance the January, 1947 showing of the road was obviously disappointing. Measured by normal seasonal standards, however, the January, 1947 showing must be accepted as highly satisfactory.

Going back to the decade before the war it will be found that in most years Great Northern sustained net operating deficits in both January and February. As a matter of fact, even though the seasonal upturn got slowly under way in March the road on the average for the ten prewar years 1932-1941 reported a net operating deficit for the first quarter of the year. For the best January of the ten-year period, 1940, net operating income amounted to only $230,000. This was just about 1% of net operating income for the full year.

Many rail analysts are pointing to the 1941 performance of the road as indicative of how little bearing the results of the opening months have on earnings for the full year. 1941 was the last year before important war distortions and dislocations of the normal seasonal pattern. In that year Great Northern reported net operating income of only $28,000 in January and $43,000 in February. For the full year net operating income before Federal income taxes topped $34,000,000. On the present capitalization, and adjusting for the current higher non-operating income and Federal income taxes at 38%, this would have been equivalent to $6.75 a share on the stock.

The traffic outlook for Great Northern during the seasonally active months ahead is excellent. As a matter of fact, the management announced that traffic even in January was held down by the car shortage. This will not be a restrictive factor with respect to the important iron tonnage which should start to move more time in April. The ore cars do not go onto foreign lines and thus will be available to the company when, and as, needed. Based on present and prospective steel operations are on the inventory situation, this highly profitable tonnage may run nearly 30% ahead of a year ago in 1947.

Based on the general traffic and operating outlook it is estimated in some quarters that earnings this year will run two and a half to three times the present dividend rate of $3.00 a share. At around five times prospective earnings the stock is considered outstandingly attractive by many rail analysts.

Mullaly Now With F. Vz. Didrichsen

Charles J. Mullaly, formerly of the Municipal Bond Department of Amott, Baker & Co., is now associated with F. Vz. Didrichsen, 41 Broad Street, New York City.

Stewart Trustee of U. S. Trust Co.

Williamson Pell, Chairman of the United States Trust Company of New York, announced the election of William A. W. Stewart to the Board of Trustees. Mr. Stewart, a member of the firm of Stewart and Shearer, is a Director of the Commonwealth Insurance Company of New York. His grandfather, the late John A. Stewart, was one of the organizers of the United States Trust Company and served almost continuously as an officer of that Company from its founding in 1853 until his death in 1926 when he was Chairman of the Board.

W. A. W. Stewart

Phila. Securities Assoc. Committees

PHILADELPHIA, PA.—William B. Ingersoll, of Stroud & Co., Inc., President of the Philadelphia Securities Association, announced the appointment of Association Committees for 1947 as follows:

Arrangements Committee—Dudley R. Atherton, Jr., Lazard Freres & Co., Chairman; Paul Bodine, Drexel & Co.; Newlin Davis, Kidder, Peabody & Co.; L. W. Fisher, Paul & Co.; John D. Foster, Real Estate Trust Co.; Edward G. Garver, Bioren & Co.; Harry Heffelfinger, S. K. Phillips & Co.; James J. Mickley, Corn Exchange National Bank; Alfred W. Platt, Fidelity Mutual Life Insurance Co.; and G. Ellwood Williams, Pennsylvania Co. for Insurances on Lives and Granting Annuities.

Speakers Committee—H. Clifton Neff, Schmidt, Poole & Co., Chairman; George J. Ourbacker, F. J. Young & Co.; Walter A. Schmidt, Schmidt, Poole & Co.; and Albert W. Whittlesey, Pennsylvania Co. for Insurance on Lives and Granting Annuities.

Membership Committee—Harry C. Rippard, Buckley Bros., Chairman; William E. Slack, Bioren & Co.; Thomas B. Krug, Bioren & Co.; George K. Dorsey, Reynolds & Co.

Educational Committee—Wm. P. Watts, Stroud & Co., Inc., Chairman; Orrin V. Boop, Schmidt, Poole & Co.; Harold F. Scattergood, Boenning & Co.; Herbert F. Gretz, Fidelity-Philadelphia Trust Co.; Harold F. Carter, Hornblower & Weeks; James Long, Smith, Barney & Co.; Lloyd A. McDowell, Buckley Brothers; H. Clifton Neff, Schmidt, Poole & Co.; and William Reid, Doremus & Co., Inc.

G. E. Moore Opens Office

SEATTLE, WASH. — Gerald E. Moore is engaging in the securities business from offices in the Second and Cherry Building. Mr. Moore was formerly an officer of Lobe & Moore, Inc.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A dull, but firm, government market, which has been and still seems to be waiting for news, turned up recently, with increased volume, following reports of no important developments at the meeting of the Federal Reserve Open Market Committee. . . . It had evidently been expected in some quarters that there might be changes in short-term rates after this meeting. . . . The rumor factory has been going full blast of late, with reports of an immediate defrosting of the certificate rate being very prevalent. . . There is, of course (in these reports) no set time stated as to when rates will be changed, but the so-called confidential information from official sources, which is being passed out freely, says it will be soon, and will precede an offering of long-term bonds to non-bank investors. . . . "Open Mouth Operations" are going great guns again, to create, if possible, an attitude of caution and uncertainty, so that prices of Treasury issues will stay within trading limits. . . . Chairman Eccles' statement before the House Banking and Currency Committee on possible changes in short-term rates and in opposition to long-term financing did nothing to clarify matters. . . .

SHORT COVERING

The covering of some short positions by one of the large dealers, along with scattered institutional purchases, was more than sufficient to absorb the selling of another large government house which according to reports was making preparations to bid on the State of Michigan issue. . . . As a result prices moved up a few thirty-seconds on not too heavy volume. . . .

It is still believed that the volume of securities available for sale at these levels is not very large and it is not likely to increase very much unless there should be a change in interest rates. . . This would take place, only with the approval of the monetary authorities. . . .

The action of the market itself indicates that it is very much a professional affair, with dealers and traders able to influence prices with only minor operations. . . . This means that in so far as new money is concerned it seems as though investors have again taken largely to the sidelines although there still appears to be some important switching from the shorter into the longer maturities especially by the deposit banks. . . .

CURRENT FAVORITES

The 2¼s of 1956-59 continue to be favored by the commercial banks with reports that some fairly sizable positions have been taken in this issue, with the proceeds from the sale of the 2½s due 1956-58. . . . The longer 2s are being picked up, with a good tone as well as a substantial demand being noted for the 2s due Sept. 15, 1951-53. . . . Shorter maturities of the taxable 2s are being sold in some cases, and the funds reinvested in the 2½s due Sept. 15, 1967-72. . . . This has been confined largely to the smaller banks, which must move out maturities to improve income. . . .

In some instances also there has been buying of the earlier maturities of the taps by non-bank investors, with reports that these funds have been obtained largely from the sale of eligible issues. . . .

While the government market has not been too active, there has been enough going on to make it interesting, as well as profitable, to those that are in a position to make changes that improve maturity distribution, as well as income. . . . It is during periods like this that the really constructive work is generally done. . . .

BEARISH ARGUMENTS

Reports of changes in short-term rates, new issues of long-term bonds, along with new offerings of municipals, increased sales of corporates, as well as impending offerings by the World Bank, combine to give those that are either bearish or are sold out bulls, some pretty strong talking points as to why the government market is more likely to decline than advance from these levels. . . .

The defrosting of short-term rates can come at any time, with reports now circulating that changes in short-term rates have already been approved by the monetary powers that be, but the announcement of it is being left to the discretion of the Central Banks. . . . This report, of course, has been denied, which is as it should be, under existing circumstances. . . .

While it has been known for a long time that the monetary authorities have been working on ways and means of changing short-term rates, nothing has yet happened. It does not seem as though conditions are right yet for this change because the greatest good would not come to the greatest number by such a development. . . . This means that political considerations are far more powerful than those that the banks can put forward. . . .

POLITICAL FACTOR

Both parties will be very conscious of anything that would be adverse politically for the next year at least, which probably indicates very little change in interest rates in the direction that would increase the debt burden. . . . Of course if it can be proved that such a change would stop inflation, if it should develop, then there might be justification, even politically, for such a course of action. . . .

Likewise a long-term 2½% in place of a lower coupon obligation, would seem to be politically feasible only if it would stop the inflation spiral. . . .

Since the fear of inflation is not so pressing as in the past, it seems as though changes in rates as well as a new issue of bonds are not as close as some would like to have others believe. . . .

MARKET SECURE

The increase in the supply of municipals and corporates is much more of a certainty as some really sizable offerings are being made with others right behind them. . . . What will be the effect of the increase in supply of these securities on governments? As a whole, very little, if any. . . . Comparing quality, marketability and market protection, the score is entirely in favor of the Treasuries. . . . Short maturities of municipals will probably be bought by some banks to replace the governments lost through debt retirement. . . . For those that are in a position and are willing to assume the added risk in municipals, there will probably be some shifting out of governments where maturities can be shortened and yield increased. . . .

READING COMPANY

Condensed Annual Report for Year Ended December 31, 1946

To the Stockholders:

Although earnings of all railroads were seriously affected in 1946 by wage increases, higher material costs, and traffic losses due to unsettled industrial conditions, Reading Company was able to maintain a strong financial position and improve its physical property. Increased traffic in the closing months, temporary rate increases, and tax adjustments contributed substantially to net income.

REVENUES AND EXPENSES

Revenues for the year declined $7,925,388, and operating expenses decreased $2,080,399, after excluding amortization adjustment in 1945 of $11,895,680. The ratio of operating expenses to revenues was 82.3%, compared with 78.3% in 1945, excluding amortization adjustment. Increases in wages and in fuel and material costs were the major factors in the higher operating ratio in 1946.

FREIGHT RATES

Temporary increases in freight rates and charges granted by the Interstate Commerce Commission, effective from July 1, 1946, to December 31, 1946, produced approximately $2,650,000 additional revenue for the Company, representing an increase of 6.3%. By order entered December 5, 1946, the Commission authorized permanent increases in freight rates and charges to become effective January 1, 1947, in substitution for the temporary increases. Similar increases in intrastate rates were authorized by the Pennsylvania and New Jersey Utility Commissions. Based upon anticipated freight traffic in 1947, it is estimated that the additional revenue to be derived from the increased rates and charges will be $14,400,000 per year, or 17.6%, in excess of that which would have been earned under rates in effect on June 30, 1946.

WAGES

General wage increases granted railroad employees of 16 cents per hour, effective January 1, 1946, and 2½ cents additional, effective May 22, 1946, increased the Company's payroll expense $8,900,000 and its payroll taxes $580,000, a total increase of $9,480,000 in 1946. Wages paid for the year aggregated $57,231,347, the highest in the history of the Company, of which $53,977,772 was charged to operating expenses, representing 53.2 cents per dollar of operating revenue, as compared with 43.8 cents in 1945.

TAXES

Total tax bill was $10,366,329, exclusive of credit adjustments applicable to prior years aggregating $1,128,493, or a net accrual of $9,237,836, including payroll taxes amounting to $3,545,231.

FINANCE

The Company paid, redeemed or purchased bonds and other obligations aggregating $2,897,200, resulting in annual interest savings of $90,327. Conditional sales agreements were entered into for financing the cost of ten diesel switching locomotives and 80% of the cost of 850 steel box cars. These obligations, which will aggregate $3,377,000, will be paid in sixty monthly installments, with interest at 1½% per annum. Since December 31, 1936, funded debt has been reduced $34,409,467, or 25.9%; annual interest charges have been reduced from $5,408,649 to $3,058,831, a decrease of $2,349,818, or 43.4%; and average interest rate was reduced from 4.076% to 3.112%, or 23.7%.

IMPROVEMENTS

During the year the following new equipment was placed in service: 15 Class T-1 type 4-8-4 steam locomotives; ten 1,000 hp. diesel switching locomotives; and 912 all-steel box cars. As of the end of the year, the Company had ordered or authorized the construction of the following: seven Class T-1 type 4-8-4 steam locomotives; fifteen 1,000 hp. diesel switching locomotives; 1,088 all-steel box cars; 100 all-steel bulk cement cars; 25 all-steel caboose cars; four all-steel carfloats; and eight multiple unit and eight trailer passenger cars. The Company's wholly-owned motor subsidiary acquired 27 units of new equipment and placed orders for 35 additional units.

Substantial progress was made in the renewal and improvement of roadway facilities, including strengthening of bridges to permit use of heavier power, installation of color light signals and modernization of interlocking plants, construction of track facilities to serve new industries, installation of longer switches to permit increased schedule speeds between Philadelphia and New York, and extension of engine house and installation of modern turntable at Rutherford. Among the more important construction projects undertaken during the year were a new 986-foot bridge over the Schuylkill River at Reading and an 8,000-foot spur to serve a new electrical generating plant at Shamokin Dam, Pa.

CONDENSED EARNINGS STATEMENT

Revenues From Operation	December 31 1946	1945	Increase or Decrease
Hauling anthracite	$ 23,847,046	$ 19,260,697	$ 4,586,349-I
Hauling bituminous coal	18,416,106	20,019,879	1,603,773-D
Hauling merchandise	44,645,033	53,292,570	8,647,537-D
Carrying passengers	9,655,266	11,630,743	1,975,477-D
Mail, express, and other transportation services	4,862,670	5,147,620	284,950-D
Total Revenues	$101,426,121	$109,351,509	$ 7,925,388-D
Expenses of Operation			
Wages	$ 53,977,772	$ 47,895,762	$ 6,082,010-I
Fuel	6,826,027	6,942,178	116,151-D
Rails, ties, and other material	10,716,720	8,895,459	1,821,261-I
Payments to contractors, associations, other companies and individuals for services and expenses	6,648,253	11,558,094	4,909,841-D
Depreciation, amortization and retirements	5,345,775	10,303,453	4,957,678-D
Amortization adjustment		11,895,680	11,895,680-D
Total Expenses	$ 83,514,547	$ 97,490,626	$13,976,079-D
Net Revenue from Operations	$ 17,911,574	$ 11,860,883	$ 6,050,691-I
Tax accruals	$ 9,065,626	$ 3,901,311*	$12,966,937-I
Payments for use of equipment and facilities of others, less receipts for use of Company's equipment and facilities by others	514,669	19,825*	534,494-I
Net Railway Operating Income	$ 8,331,279	$ 15,782,019	$ 7,450,740-D
Income from investment in securities, property rentals, and other income	$ 1,663,670	$ 1,481,895	$ 181,775-I
Income Available for Fixed Charges	$ 9,994,949	$ 17,263,914	$ 7,268,965-D
Rent for leased roads	$ 2,222,795	$ 2,555,179	$ 332,384-D
Interest on funded debt	3,058,831	4,010,405	951,574-D
Other fixed charges	118,832	75,574	43,258-I
Total Fixed Charges	$ 5,400,458	$ 6,641,158	$ 1,240,700-D
Net Income	$ 4,594,491	$ 10,622,756	$ 6,028,265-D

*Credit.

FINANCIAL POSITION

Owned	December 31 1946	1945	Increase or Decrease
Roadway property and equipment	$389,717,135	$385,718,785	$ 3,998,350-I
Less reserves for depreciation and amortization	116,126,536	113,461,066	2,665,470-I
Net Roadway Property and Equipment	$273,590,599	$272,257,719	$ 1,332,880-I
Property not used in transportation service	$ 11,973,680	$ 12,203,185	$ 229,505-D
Stocks, bonds, and notes of other companies	49,856,056	49,037,581	818,475-I
U. S. Government securities	7,176,360	7,176,360	
Deposits with trustees	2,071,177	2,137,526	66,349-D
Current Assets:			
Cash and temporary investments	$ 18,245,734	$ 16,544,738	$ 1,700,996-I
Fuel, rail, ties, and other stock material	10,601,579	9,488,902	1,112,677-I
Due from agents and conductors, individuals, companies, and U. S. Government	7,037,871	18,636,815	11,598,944-D
Total Current Assets	$ 35,885,184	$ 44,670,455	$ 8,785,271-D
Other assets	2,132,530	1,109,665	1,022,865-I
Total	$382,685,586	$388,592,491	$ 5,906,905-D
Owed			
Mortgage and collateral bonds	$ 94,380,864	$ 96,787,964	$ 2,407,100-D
Equipment obligations	3,897,020	2,096,100	1,800,920-I
Current Liabilities:			
Bank loan	$ 4,000,000	$ 6,000,000	$ 2,000,000-D
Wages, unpaid bills, and other liabilities	14,006,676	19,915,247	5,908,571-D
Taxes	5,028,665	2,776,651	2,252,014-I
Total Current Liabilities	$ 23,035,341	$ 28,691,898	$ 5,656,557-D
Other liabilities	$ 3,827,580	$ 2,927,800	$ 899,780-I
Stockholders' Ownership			
Capital stock	$139,950,850	$139,950,850	
Surplus	117,593,931	118,137,879	$ 543,948-D
Total Capital Stock and Surplus	$257,544,781	$258,088,729	$ 543,948-D
Total	$382,685,586	$388,592,491	$ 5,906,905-D

The Company appreciates the support and co-operation of its patrons who shipped and traveled "via Reading" and the loyal and efficient service of its 20,000 officers and employes which made possible the accomplishments of the year.

R W Brown

President

Securities Salesman's Corner

By JOHN DUTTON

Last week the security dealers in up-state New York were disagreeably surprised to open their morning mail and out of a clear sky were faced with a demand to disclose confidential information concerning their affairs UNDER OATH to the Attorney General's Office of the State of New York. The possible penalty for non-compliance was $500 fine and a year in jail. We understand that several hundred dealers received this ultimatum.

This happened in the State of New York. It can happen in your state too. Things like this are happening constantly and everytime they do Herbert D. Seibert of "The Commercial & Financial Chronicle" is about the only one in the whole country who gets up and does something about it. Although I write this little piece every week for him and he pays me for doing it, he isn't paying me to give him this long-overdue praise which is rightfully due him.

But isn't it about time that the security dealers of this country did something for themselves? Is it true that the people who are in the securities business cannot organize to defend themselves? What is wrong? Is it that there is no leadership? Is it that we are inherently more concerned with our own selfish interests as is claimed by some, that we are so busy chasing eighths and quarters day after day, that we won't cooperate to protect our interests from the onslaughts of over-zealous bureaucrats, politicians and attorney generals who have so little to do that they have to go out on a trouble-making mission in order to get their name in the papers? If it isn't the SEC that is over-reaching its powers it is some Attorney General or the NASD. The security business is the most over-regulated business in America today!

What Is Needed?

The answer to over-regulation is organized resistance. The only remedy is simple. A nationwide organization should be formed with one specific purpose in mind and that is protection. It should protect the individual dealer from unwarranted abuse of power by the SEC or any other government agency. For instance, if there is a case where a dealer has undergone a routine investigation by the Commission and some technical violations have been charged resulting in the release to the press by the Commission of such charges, the Commission should have its ears pinned back. A dealer's reputation is his most valuable asset. The SEC should be sued in court for damages if unproven and unfounded charges are hurled against a firm and later are disproven. If everytime some bureaucrat gets a brainstorm about minimum capital provisions, 5% gross mark-up limitations, full disclosure rules and in fact where ever there is an attempt TO MAKE LAWS BY ANY EXECUTIVE AGENCY OF FEDERAL OR STATE GOVERNMENTS, such an association through its joint and cooperative efforts backed up by A SUBSTATIAL WAR CHEST AND EXPERIENCED ABLE LAWYERS should go into action.

As long as such moribund organizations as now exist in the securities field are supported by the industry all you will get is appeasement, reams of pretty paper to read, and pickles and cake. You can all thank your lucky stars that you've got a fellow like Herbert D. Seibert and "The Financial Chronicle" to fight your battles single handed. It is a cinch Wally Fulton, and some of his friends never do it.

Rauch to Represent Drexel in New England

Charles E. Rauch has become associated with Drexel & Co., members of the New York Stock Exchange, and will represent the firm in New England. Prior to his four years of war service, Mr. Rauch was Assistant Treasurer of the New Haven Savings Bank and has also represented the firm of Wood, Struthers & Co. in the New England territory.

NASD Dist. No. 12 Makes Appointments

PHILADELPHIA, PA.—William K. Barclay, Stein Bros. & Boyce, has been made chairman of NASD's public relations committee for District 12. Other committee appointments are: Robert G. Rowe, Stroud & Co., to railroad advisory committee; George J. Muller, Janney & Co., to traders committee; C. P. Colwell, Merrill Lynch, Pierce, Fenner & Beane, uniform practice committee.

Washington And You

(Continued from page 1249)

plants with 500 or more horsepower capacity. Its licensing ultimatum to the small Connecticut industrialists indicates the agency was reshaping its policy to (1) control smaller projects, and (2) embrace manufacturing enterprises in no sense public utilities. Probability is that FPC will now be denied more money, will cast away its expansion grab, will be subjected to a penetrating congressional inquiry.

* * *

FPC steersmen have successfully sought to avoid public scrutiny and discussion of the licensing and and capture powers. Hence, revelations on Commission policy and intent must be prefaced by investigation, will be deferred temporarily.

* * *

Says Congressman Miller . . . "Today we have a Congress which thinks differently than did the 1935 Congress. It's my judgment that through operation of this licensing and capture power the Government 50 years hence could distort and reshape the nation's economy. I propose to see that Congress is further informed on the Power Commission's objectives, and I'm confident Congress thereafter will want to reconsider the Federal Power Act and amendments."

* * *

FPC may also be shucked of meddlesome ambitions because of its expanding natural gas operations. Not content with regulating interstate pipeline flow, the Commission is snatching at end operations — collection and distribution of natural gas. Accompanied by charges that the agency is exceeding congressional intent, Senate and House bills have been introduced restricting FPC curbs to pipeline transactions.

* * *

April showers will bring a House Banking Committee inquiry into the effects of Government credit controls upon the country's economy. The probe will be specific in intent —the minimizing of such controls. It will be generalized in operation — will deal broadly with the whole issue of credit sculpturing, specifically with orthodox and unorthodox methods as the generalized pattern is traced. Hearings will commence early next month. Legislative action of some character is unavoidable before RFC expires June 30.

* * *

Stock Exchange margin trading will be one of the specific controls X-rayed by the Banking Committee. Also Federal Reserve Board's request for permanent power to juggle consumer credit.

* * *

St. Lawrence waterway has been given the deep freeze treatment and won't be thawed out until Treasury surplus becomes practically prodigious. Even the project's most ardent apostles agree it has been frozen by Republican budgeteers into a temporarily inanimate state.

* * *

Taxation of co-operatives won't progress this session beyond the discussion stage—in fact won't even sprout much discussion. Farm area Republicans have convinced colleagues the co-ops shouldn't be touched until after the Presidential election. Incidentally, when the philosophy of taxing co-operatives is finally hauled out for inspection, it may be accompanied by the dusting off of that sacrosanct institution by which mutual insurance companies have retained preferential treatment.

* * *

Unanticipated rapidity with which foreign economy is deteriorating confronts Washington with a tough task and some tough decisions. It means, among other things, (1) increased U. S. dispensations for international relief, (2) expediting of International Bank loans for rehabilitation, (3) mounting pressure on Export-Import Bank for loans to shore up shaky foreign borrowers, (4) pow-wows on private lending to foreign clients. That, in general, is what Washington now foresees. The facets of necessity, however, can't yet be envisioned.

* * *

Export-Import Bank President William McChesney Martin still holds that the Bank is not a relief agency, that its loans must be financially sound. In Congress he has important backing. Nonetheless, a burgeoning international crisis feeding on poverty, hunger and devastation could conceivably distort the current Bank policy.

* * *

Congressional sentiment appears to be veering from continuation of the Government rubber buying program. That may be temporary. Industry men are striving, will continue to strive, for temporary extension of Government purchases until a coordinated future for natural and synthetic rubber operations has been fashioned.

* * *

Here's another economy zero about which Army budget boosters will be asked when they pass in review before economy axe swingers. Before the war, the Generals operated a congressional liaison service with 20 officers. Today, 61 officers — including one major general and three brigadier generals—sit in liaison swivel chairs.

* * *

Civilian Production Administration restrictions on business and industrial building will be junked not later than March 31 because of appropriation cuts. Authority of the Housing Expeditor to control construction has statutory life until Dec. 31, but without the CPA field force as police he is expected to toss in the towel and acknowledge a congressional KO.

* * *

CPA is caught in a deal that has Washington noses wrinkling. In recent weeks, exporters seeking licenses to export stoves have received license blanks rubber-stamped to permit exportation of only a specific make of stove. Inquiry by a curious Congressman disclosed the stove rubber-stamped by CPA for export had been declared unsafe by Federal housing specialists, that CPA had knowingly backed the outward shipment of this condemned stove to the exclusion of other domestic types already in surplus.

* * *

A year's suspension of the 4-cent excise tax on imported copper begins to look likely. Important Western Congressmen still blockade revocation of the impost but will OK a temporary abeyance. House Ways and Means Committee will shortly order hearings, can be expected to report out a bill recommending a tax-free importation period.

* * *

"A stitch in time saves nine," ergo, business concerns planning mergers or acquisitions should inform the Justice Department before they act, says Attorney General Clark. The Department is attempting to examine every substantial corporate merger for anti-trust violations, feels advanced notice of intensions would save businessmen from embarrassing commitments and lessen the necessity for litigation.

* * *

Congressional passage of legislation immunizing public carriers from antitrust prosecutions for collaborating with the Interstate Commerce Commission in fixing rates was assured when the Senate Commerce Committee this week OK'd the proposal. White House reception may be less cordial.

* * *

The canning and frozen food industries may reasonably conclude the House will alter or reject the Hope bill extending production and marketing legislation to fruits and vegetables. In effect, the measure would permit the Government and growers to control food processing and marketing. If the bill gets out of committee unchanged, it will provoke a rowdy floor flight.

* * *

Republican leaders have fumbled their last chance of giving the country a unified economy outlook. Cracking the whip for the first time, Speaker Martin lined up all but one House Republican for the $6 billion budget cut. Thereupon Senate Republican leaders dallied, disagreed and came up with a split vote by which a Republican-Democratic coalition substituted a $4.5 billion reduction. From now until adjournment, House and Senate Republicans will continue to row over budget paring.

NY Curb to Honor Posner and Truslow

The members of the New York Curb Exchange will be given hosts at a dinner to be given Thursday evening, March 20th, at the Park Lane Hotel in honor of Edwin Posner, Andrews, Posner & Rothschild, retiring President of the Exchange, and Francis Adams Truslow, who will assume the Curb presidency shortly.

Among the other guests of honor to be present are Edward C. Werle, Chairman of the Board of the Curb Exchange, Emil Schram, President, and other officials of the New York Stock Exchange, members of the Securities and Exchange Commission, and representatives of other organizations in Wall Street.

Parkinson to Address State Chamber March 6

Thomas I. Parkinson, President of the Equitable Life Assurance Society of the United States, will address the March meeting of the Chamber of Commerce of the State of New York at 65 Liberty Street on March 6. Mr. Parkinson, a former President of the Chamber, will speak following the business session which begins at 12 o'clock noon. President Peter Grimm will preside.

Newburger, Loeb & Co. Add Two to Staff

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that Frank C. Chaffee and Louis Friedman have joined the organization as customers' brokers in the firm's main office at 15 Broad Street, New York City.

G. F. Bennett Dir. of North American Co.

George F. Bennett of Boston has been elected a director of The North American Company, 60 Broadway, New York City. Mr. Bennett is a partner of State Street Research & Management Company of Boston and is well known in financial circles.

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

CONSOLIDATED BALANCE SHEET

December 31, 1946

ASSETS

CURRENT ASSETS		
Cash		$111,775,470.91
Marketable Securities (Cost or Market, whichever lower)		1,740,731.00
RECEIVABLES (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 46,008,827.89	
Other Notes and Accounts	5,624,820.66	51,633,648.55
INVENTORIES (Cost or Market, whichever lower)		91,749,094.31
TOTAL CURRENT ASSETS		$256,898,944.77
FIXED ASSETS (Cost or less)		
Land, Buildings, Machinery, and Equipment	$420,201,743.69	
Deduct—Reserves for Depreciation and Amortization	269,101,493.22	151,100,250.47
INVESTMENTS (Cost or less)		
Affiliated Companies	$ 2,581,886.13	
Foreign Subsidiaries	24,180,485.44	26,762,371.57
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.		2,393,052.01
POSTWAR REFUND OF EXCESS PROFITS TAX (Canadian Subsidiaries)		1,858,739.97
PATENTS, TRADE-MARKS, AND GOODWILL		1.00
		$439,013,359.79

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		$ 22,331,918.77
Dividend Payable January 1947		7,024,866.00
ACCRUED LIABILITIES		
Income, Excess Profits, and Other Taxes	$ 44,541,880.60	
Other Accrued Liabilities	6,400,905.79	50,942,786.39
TOTAL CURRENT LIABILITIES		$ 80,299,571.16
DEFERRED LIABILITIES UNDER GOVERNMENT CONTRACTS		1,648,143.82
ACCRUED PROVISION FOR WARTIME ADJUSTMENTS		6,951,325.88
RESERVE FOR POSTWAR CONTINGENCIES		15,000,000.00
CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION—No Par Value—Not including 136,649 shares held by the Corporation		
9,277,788 shares	$192,879,842.43	
88,700 shares issued under Stock Purchase Plan for Employees and held by the Corporation as collateral (See Note 7)	10,289,200.00	
9,366,488 shares at December 31, 1946	203,169,042.43	
Less present amount of Agreements, after deducting $6,651.43 applied as mentioned in Note 7	10,282,548.57	
	192,886,493.86	
EARNED SURPLUS	142,227,825.07	335,114,318.93
		$439,013,359.79

CONSOLIDATED INCOME AND SURPLUS STATEMENTS

Year Ended December 31, 1946

INCOME STATEMENT

INCOME		
Gross Sales—Less Discounts, Returns, and Allowances	$414,988,315.57	
Other Income (Net)	4,060,510.93	$419,048,826.50
DEDUCTIONS		
Cost of Goods Sold, Selling, General, and Administrative Expenses	$311,308,725.59	
Depreciation and Depletion	14,806,377.80	
Income and Excess Profits Taxes	35,727,371.22	361,842,474.61
NET INCOME FOR THE YEAR		$ 57,206,351.89
Net Income per Share—On 9,366,488 shares outstanding December 31, 1946	$6.10	

SURPLUS STATEMENT

EARNED SURPLUS AT JANUARY 1, 1946		$115,968,110.65
ADDITIONS		
Net Income for the Year	$ 57,206,351.89	
Adjustment arising from revaluation of Canadian dollar to parity with United States dollar	2,370,643.37	59,576,995.26
		$175,545,105.91
DEDUCTIONS		
Dividends Declared	$ 27,966,414.00	
Payments on Annuities relating to prior years under Retirement Plan for Employees	5,150,970.59	
Decrease in Market Value of Marketable Securities at December 31, 1946	199,896.25	33,317,280.84
EARNED SURPLUS AT DECEMBER 31, 1946		$142,227,825.07

NOTES RELATING TO FINANCIAL STATEMENTS

1—The principles used in preparing the accompanying consolidated statements for the year 1946 are as follows:

All subsidiaries that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and income of Canadian subsidiaries consolidated are converted at the official rates of exchange. Other assets and liabilities of Canadian subsidiaries consolidated are converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiaries, all one hundred per cent owned, are shown as investments. Only that part of the income of foreign subsidiaries which was received during the year as dividends is included in income. Unaudited reports covering less than a full year indicate that the income of companies paying such dividends will exceed the amount of dividends paid.

Affiliated companies, less than one hundred per cent but not less than fifty per cent owned, are also shown as investments. The equity in the net worth of these affiliated companies increased $2,082,770.10 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest unaudited reports received. Of this increase, $635,723.23 is applicable to the current period. The consolidated income does not include any part of the undistributed net income of affiliated companies.

2—Payments relating to years prior to July 1, 1937, were made to insurance companies to complete the purchase of Past-Service Annuities under the Retirement Plan. These payments amounting to $2,202,194.09 were charged to Surplus. This method has been consistently followed since adoption of the Retirement Plan on July 1, 1937.

The Retirement Plan was modified during the year, as authorized by the stockholders on April 16, 1946, and made effective as of May 1, 1946, to provide benefits to survivors of employees who die within ten years of normal retirement date, and to provide 10-year certain payments upon retirement. To effect the modification of the Plan on May 1, 1946, a payment of $2,948,776.50 was required to convert annuities of employees who were then within ten years of normal retirement date. This amount has also been charged to Surplus. Payments for converting annuities after May 1, 1946, and payments relating to service during the current year were charged against income and such payments in future years will be charged against income.

3—Income and Excess Profits Taxes as computed for the year 1946 are lower and Net Income is higher in the amount of approximately $1,142,500 by reason of charges to Surplus representing that portion of Payments on Annuities relating to prior years under the Retirement Plan for Employees allowable as a deduction in computing such taxes for the year. The balance will be deducted in computing income taxes in subsequent years.

Income and Excess Profits Taxes for the year 1946 as set forth in the Income Statement and Accrued Liabilities for Taxes as shown in the Balance Sheet at December 31, 1946, have each been stated after deducting $1,583,500.00 representing estimated refunds to several subsidiaries under carry-back provisions of the Internal Revenue Code.

4—All emergency facilities completed on September 29, 1945, were fully amortized prior to January 1, 1946, although many are still in use. There are no charges against 1946 income nor will there be charges against income in future years for depreciation or amortization of such facilities.

5—Union Carbide and Carbon Corporation has agreed to maintain the assets held by the Trustee of the Savings Plan for Employees in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

6—A review of the operations for the year 1944 under the Renegotiation Act has been completed. Under the final settlement a reduction has been made of $17,536,000.00 in the value of sales and of income before taxes for that year. After allowance of $14,719,845.42 paid in taxes, the net refund to the Government in the amount of $2,816,154.58 has been charged to Accrued Provision for Wartime Adjustments. The amount of the net refund applicable to the year 1945 under such Act has not been determined. Any refund to the Government for that year will be charged to Accrued Provision for Wartime Adjustments.

7—During 1946 the Corporation entered into Agreements with 127 employees, including 11 officers of the Corporation, covering 88,700 shares of its capital stock under the Stock Purchase Plan for Employees as approved and authorized by the stockholders in 1946. The Agreements set forth a price of $116 per share, which was the closing quotation on the New York Stock Exchange on the date preceding the offering. Under the terms of the Plan the price or prices shall be such price or prices as shall be fixed by the Board of Directors in its discretion, but not lower than seventy-five per cent of the market price. Each participant has five years to complete payment and interest at the rate of two per cent per annum will be paid on the unpaid balance. Each participant has also agreed to apply against the unpaid balance the amount, if any, by which the dividends paid to him exceed the interest. The aggregate amount so applied on December 31, 1946, was $6,651.43. The Board of Directors may take such action from time to time with respect to extension of time of payment as in the discretion of the Board is in the best interest of the Corporation. Stock covered by the Agreements is pledged by the participating employees as collateral security for payment. The Plan provides that if a participant shall die the Corporation will offer, for a period of six months following his death, to repurchase the unpaid-for shares at the price to be paid by such participant.

8—Union Carbide and Carbon Corporation and several subsidiaries are defendants in suits brought by employees for additional wages for the current and prior years, an equal amount as liquidated damages, and attorneys' fees and costs. Such suits, commonly referred to as "Portal-to-Portal Pay Suits," present a serious problem to American industry in general.

It is impossible to foresee the outcome of these suits and no provision therefor has been made out of income for 1946.

AUDITORS' REPORT

TO DIRECTORS AND STOCKHOLDERS OF
UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1946, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm receivables from United States Government agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1946, and the results of consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., March 1, 1947.

Canadian Securities

By WILLIAM J. McKAY

Canada in the past has been overshadowed by the dynamic glamorous progress of her great neighbor to the South to such an extent that a decided Canadian inferiority complex has been developed. During the war the intimate collaboration with this country and the notable achievements of the Dominion stimulated world-wide interest in the Canadian situation, but Canada itself, did little to satisfy the desire for greater information concerning Canadian affairs.

This modest diffidence has at times given rise to grave misconceptions and failure to grasp basic Canadian problems. Sweeping conclusions have been reached as a result of casual analysis and a lack of information from authoritative Canadian sources. During the war, for example, until the Dominion Minister of Finance made a formal statement in New York it was not realized here that Canada was not the recipient of Lend-Lease aid. For the same reason Canadian politics have also been misinterpreted abroad. On the basis of sketchy study it was recently believed that Canada had taken a violent swing to the left and was on the verge of red revolution. As a matter of fact the advance of the CCF proved to be a nine days' wonder and Canada today with this country stands out as the last great bulwark of conservative democracy.

In the field of finance Canadian achievements and management have received somewhat fulsome external praise but the performance of this young country of only 12 million people has possibly not been fully appreciated abroad. During the war Canada was surpassed only by this country in the furnishing of food and munitions to the Allied nations. At times moreover the Dominion was able to fill urgent requirements south of the border. At the same time out of her own resources and with no external financial assistance whatever, Canada supplied Mutual Aid to Britain and other Allies, and still managed to keep a healthy balance in the domestic budget.

This description perhaps does not even do full justice to the situation. At the close of the war Canadian finances emerged stronger than ever before. More than half of the Dominion's enormous wartime expenditure was raised by current taxation and 80% of the Victory Loans was raised outside the banks from the resources of the people. During the same period moreover Canada in spite of the exceptional strain on her finances was able to achieve the unique feat of drastically reducing the direct net external debt. This was accomplished also without undue deplenishment of the Dominion's fund of foreign exchange. On the contrary at the end of 1940 Canada had a reserve fund of U. S. dollars of approximately $1½ billions.

Since then as a result of reconversion effort (including the restoration of the dollar to its old parity) generous foreign lendings and the incidence of the British crisis, this fund has been considerably reduced. However despite this extraordinary strain on its reserve resources, the financial and economic position of the Dominion is immeasurably stronger than before the war. It is possible that the Canadian economic and commercial policy might have to be reoriented to some degree, but in view of the enormous undeveloped resources of the country, its proven capable economic and financial management, and the character of its people, there is not the slightest reason to doubt that Canada will emerge as strongly from the present world-wide crisis as she did from the stern test of the war.

It would be a constructive step however on the part of the Dominion if less diffidence were displayed in its relations with abroad, and if it were more fully recognized that the world at large is intensely interested in Canadian affairs and would welcome more authoritative information concerning current Canadian problems. One case in point is the free market for Canadian funds. This market was instituted for the convenience of this country but since its inception the Canadian authorities have minimized its importance and to all intents and purposes left it to its own devices. As a result, the wild fluctuations of this unwanted appendage of the Canadian foreign exchange system more often than not reflects detrimentally on the Canadian financial position as a whole and also serves to contradict the action taken in restoring the official dollar to its old parity. A formal definite announcement of intention in this case, or the removal of this cause of doubt would undoubtedly be highly constructive and beneficial to Canadian interests.

During the week the market remained dull and inactive. Activity in externals was confined to the new Montreal issue which apparently has not yet been fully digested. Internal Dominions were marked down in sympathy with the movement in free funds which weakened to 5% discount but the turnover was negligible. Internal stocks moved irregularly in reflection of the course of the New York market with occasional bursts of activity in the golds.

The Int'l Monetary Fund and World Prosperity

(Continued from page 1250)

of contracting the money supply at home (because it made credit more expensive) and, on the other hand, of attracting foreign capital in quest of a higher revenue. Therefore, the balance was soon restored. A cut in the discount rate was made when the trend was in the opposite direction.

World War I Changes

The war of 1914-1918 upset this arrangement. Most national currencies were more or less inflated during that period. After 1918 it was difficult to know what were the new "correct" relations between their value and the value of gold, and the decisions made were liable to show a large margin of error. In addition, war financing had weakened the international financial position of the United Kingdom and France, which were therefore unable safely to resume the same liberal lending activities which had made their currencies international media of exchange before 1914.

At the same time, the economic strength of the United States had steadily grown. With an increase in economic strength came a steadily increasing capacity for foreign lending, and therefore an opportunity for the dollar, too, to become an international medium of exchange. France and Great Britain had seen their situation seriously impaired, the U. S. A. had turned from a debtor country into a creditor country.

Then came a period, which lasted until 1929, which was marked by two main events: the return of Great Britain, in 1925, to the Gold Standard at the pre-war value of 4.86 dollars to the pound (this value had dropped to 3.38 shortly after the war); and the huge lending policy of the United States.

Great Britain, for many reasons—from which a reason of prestige was not excluded — was anxious to go back to the pre-war parity. But the sterling costs had risen in the meantime more than costs in U. S. A. and should have been reduced if the old parity was to be maintained, for the par value of a currency is the link between internal costs and world markets. The process of reducing costs is what is called the process of deflation. It is a very hard one. And, despite its efforts, the British Government could not achieve the necessary adjustments. Therefore, in 1931, after six years of a very brave but unsuccessful struggle, it had to turn to the other alternative — devaluation with the abandonment of the Gold Standard.

Meanwhile, the United States had assumed a major role in international lending; but they were new to the game and did not always practice it with sufficient discrimination. A great amount of credit went to Germany and the rest of Central Europe. You know what the result was. Very high rates of interest were sometimes charged and all the more readily agreed to because in the minds of some borrowers there was no intention of ever paying back the capital! To add to the trouble, when the lenders realized the insecurity of some of their loans, they became frightened and had a tendency to cut down their lending activities much more sharply than was necessary.

When I mention the lenders, I mean not only this country, but Great Britain, too. She had tried, despite her strained financial position, not to leave the lending entirely to the Americans and, following them, had committed many of the same errors. There was, on the whole, a considerable volume of lending from which it was unlikely that an adequate return would be forthcoming.

You know what happened: after some years of apparent prosperity, the famous Black Friday on the Stock Exchange on Oct. 29, 1929, the general crash, the depression, the Hoover moratorium — all this black period which culminated in the devaluation of the pound in 1931 and of the dollar in 1933.

Pre-War Efforts At Currency Stabilization

During the preceding years — between 1925 and 1929—the tendency of most economists and financiers had been to induce the European countries, the currencies of which had been disrupted by the first World War, to stabilize those currencies. And this was done, sometimes at a very low rate which, for the country concerned, proved for some time an excellent means of competition against its rivals; until those rivals retaliated so that, in the end, no one was any better off.

After the pound went off the Gold Standard, a new school of prophets arose. (I say new, although sometimes the prophets were the same.) The older school had preached stability on the basis of the Gold Standard, the second preached devaluation and abandonment of the Gold Standard. Whether they were right or wrong at the beginning is difficult to say. But they were certainly right ultimately, for the Gold Standard could no longer function in the world as it had taken shape. One could apply to it the French saying about the famous mare of Roland which had every virtue in the world except that it was dead.

Exchange Restrictions

And at that moment every system of multilateral payment based on exchange stability was dead too. There was a general monetary scare. Capital went from one country to another, seeking refuge, trying to escape devaluation, and sometimes going back after a while to the country it had come from. Those movements of "hot money" (as it was called) were most detrimental to the stability of the currencies. At the same time a maze of restrictive devices — quota restrictions, exchange restrictions, etc. — was developed by the governments to protect the position of the weakened countries. These restrictions greatly impeded the smooth flow of international trade, with the result that the total world exports, which in 1913 amounted to $18.4 billions, had fallen in 1934 to $11.3 billions, e.g. by almost 40%. (Of course, I have taken the pre-first-war dollar for both figures, in order to make a fair comparison.)

Coming back to the monetary situation proper, you will remember that, at the beginning of this expose, I explained to you the part played by capital movements in stabilizing exchange rates. So long as funds flowed to the markets where they could get the best rates of return, the device of raising these rates could be used to attract capital to a country which needed to import goods or services in excess of its exports. Similarly, the device of lowering rates of returns at home could be used to divert capital toward foreign markets in the case of a country which was in position to develop an export surplus. Capital movements of this type performed a compensatory and balancing role in the ups and downs of international trade. But the moment the rate of return ceased to govern the flow of funds because fear had become the dominant factor — fear of business failure, fear of inflation, fear of exchange depreciation — from that moment the flow of capital became an unstabilizing influence. Capital moved from the weakened countries to the strong and intensified the maladjustments that had developed in the balance of trade.

The Bretton Woods Agreements

For these reasons — instability of currencies with its most damaging effect on international trade—the question arose during the second Warld War, and already long before it came to an end, of what would be, what should be the future international monetary system. The pre-war efforts to stabilize national economies without reference to the international repercussions of such steps had often had most unhappy consequences. While there was a strong feeling against any attempt to restore the pre-war system in a post-war world, there was also a strong desire to have some kind of international system, and thus to minimize the risk of mutual frustration and exploitation — although, if possible, a system which would not hamper too much the freedom of national economies to follow their own line. And this is how the Bretton Woods Conference took place and ended in the signature of the Bretton Woods Agreements.

You may think I have dwelt at undue length on the past before coming to the actual subject of this talk. But the past is really part of it. The Bretton Woods Conference and the Bretton Woods Agreements have sprung from the past and are deeply rooted in it. They did not fall suddenly out of a blue sky. They came gradually out of a very dark sky, the sky overhanging the world between the two wars. And from them emerged the International Monetary Fund, which I shall now be able to describe, against the background of this inter-war period, much more easily than I could have done a quarter of an hour ago. Maybe I shall even be able to do it in a few words, and thus satisfy the wish of my charming neighbor of some evenings ago.

Functions of International Fund

What is the activity of the Fund? It sells to the member countries the foreign exchange they want against their own currency. In other words, it establishes between them that convertibility of currencies which existed before 1914. As I have recalled it, you could get freely, at that time, any world currency for a national currency—pounds sterling, French francs, dollars. Within the framework of the Fund you can get them again. Of course, this is not absolute and unlimited. It takes a lot of things to make a world and we shall be very happy if we can help towards making the beginning of a world.

Those sales of foreign exchange are, in fact, loans—loans intended to tide over a country which is **temporarily** out of balance. And they are limited in terms of volume and in terms of time. In other words,—and this is quite understandable, for it were not so, the Fund would run the risk of losing its strongest currencies—no country can buy, within twelve months, more than a certain part (a quarter) of its quota, e.g., a quarter of the amount it has subscribed, and never more than an aggregate of 125% of the same quota. Moreover, when a country makes use of the Fund's resources it must utilize its own reserves in equal amount, and it must repurchase from the Fund its currency as its reserve position is improved.

How can the Fund operate? With what money? The Fund has received, at the beginning of its operations, payment of all the quotas, e.g. $7½ billions—a part in gold, over two billions in dollars, and the balance in national currencies. This is its operating capital.

This is what I would call the operational aspect of the Fund's activity. It is important. It bears on huge sums. They will enable the Fund to render financial assistance on a substantial scale as opportunities for sound and constructive action develops. On the other hand, in given circumstances, the Fund may refuse a member access to its resources.

But the Fund has other powers and duties, just as important: it has, above everything, the power and duty to advise and to help. At any moment a member may seek this advice. At any moment the Fund may, as required, give it. It must be in close and permanent contact with each member, so that it can, better than anybody, form an overall picture of the exchange structure of the world. This is the reason why its intervention is provided for by the Bretton Woods Agreements every time a member decides to alter the par value of its currency, whether up or down. The Fund will approve such adjustment when it has satisfied itself that it is the means—the only proper and practical means—of correcting a fundamental, lasting disequilibrium in that member's situation. The Fund will not countenance it, however, if it proves to be a mere solution of facility or, worse, a competitive depreciation like those I have previously mentioned. Any member which alters its rate by more than 10% without the Fund's concurrence may be denied the right to use the Fund's resources or even forced to withdraw from membership altogether.

Now I have just outlined to you, in general terms, the origin, the machinery and purposes of the Fund. May be, when listening to me, some of you thought that it was too simple and, to be more precise, too good to be true.

U. S. Foreign Policy and the Fund

Well, I am going to be quite frank and I am going, at the same time, to tread on very thin ice. One of your members wrote to me: "The point we want to put over is that our Economic Policy must conform with our Foreign Policy if peace is to be preserved, and I am confident that you can do this most ably." This is precisely what I am **not** going to do. I am not going to butt into your own internal affairs. I am here—a foreigner—a most friendly foreigner—who admires and loves America, who has come over here at least once a year for the last 18 years, but a foreigner, nevertheless, and therefore it is not up to me to tell you what the United States should do or should not do in the economic field. But it is quite up to me to tell you what is necessary to the life and development of international trade; it is quite up to me to tell that the life and development of international trade are indispensable to the welfare of the world, and the world includes—happily—the United States of America. But you certainly understand that I want to be quite precise and avoid all misunderstanding on a somewhat delicate matter. I have done it now and may speak freely.

Now I am coming back to what I said: "Is it too good to be true?" I hate, above all, what we call "bleating optimism." I never indulged in it. Nevertheless, my answer is: "No, it is not too good to be true—but, with one qualification: it is a beginning."

A few weeks ago I was interviewed on the radio concerning the stability of currencies and I said: "Of course, people tell you that there is no stable currency without a sound economy. And they are right. The economists, in turn, tell you that there is no sound economy with bad politics. And they are right, too. And the politicians tell you that most wars are due, not to politics, but to economic causes. And thus closes the vicious circle."

But there is no reason, when you find yourself faced with a vicious circle, to sit down and say: "Amen." It is just the moment to ge up and to break it.

This is just what we are doing. We are trying to break the vicious circle in its monetary part. This is quite feasible. This is, in fact, what my Government did in Belgium, in a much more limited field, in 1944 and 1945. And I think I may say that the results, according to general opinion, were satisfactory. Here, the Fund, too, will make a beginning in tackling the monetary problem first.

Importance of United Nations

It goes without saying that if the world goes topsy-turvy again and if it is ravaged by wars—big military wars or big economic wars—the Fund is bound to be a failure. Speaking bluntly, if U.N. were to go on the rocks, if there were to be no international trade organization; if, in other words, under civilized appearances, we were to return, in a way, to the law of the jungle, it would be a farce to speak of international exchange stability. But if we can have, for a minimum of time, a world endowed with a minimum of stability—of course, I am not asking for a Paradise; this will come after our death, perhaps, and probably not for former members of Governments — I think that the Fund, together with other instrumentalities, existing or to be set up, can most usefully participate in the general recovery of the world. The Fund would be one of the first links in a big chain, the chain of economic security. And in this regard it would play its part in the rehabilitation and prosperity of mankind.

Wm. A. Lyon Appointed By NY Banking Dept.

The appointment of William A. Lyon to the newly created position of First Deputy Superintendent of the Banking Department was announced by Elliott V. Bell, Superintendent of Banks. The appointment was effective Saturday, March 1. Mr. Lyon continues as Secretary of the Banking Board.

For four years Mr. Lyon has been Eexecutive Assistant to the Superintendent. Before that he was for a number of years a member of the financial news department of the New York "Herald Tribune," specializing in news on money and banking.

J. P. Morgan & Co. Fiscal Agents for Australian Bonds

J. P. Morgan & Co. Incorporated and The National City Bank of New York have been appointed Fiscal Agents for an issue of $45,000,000 principal amount of Commonwealth of Australia 15-Year 3⅜% bonds due Feb. 1, 1962. The National City Bank is also the Countersigning Agent.

With Security Adjustment

BROOKLYN, N. Y. — Security Adjustment Corp., 16 Court Street, announces that William E. Kenny has been appointed to the Public Relations Department in charge of retail sales. He was formerly with Merrill, Lynch, Pierce, Fenner & Beane.

Productivity, Wages and Prices

(Continued from page 1247)

cure-all of the economic world. A careful analysis of our economic history, however, reveals that productivity changes will have a far smaller therapeutic effect than implied in current discussions. That it has played a significant role in the past and that it can play an important role now and in the future in helping to raise our living standards, seems clear. That it can perform the miracles widely claimed in its behalf is far less certain.

Perhaps the most fruitful way to appraise the role that productivity may play in wage-price relationships is to examine the past record: prewar, wartime, and transition period.[1] This I propose to do with particular emphasis upon the factors which affected the level of productivity during the transition period, the basic forces which have contributed to higher productivity in the past, the relationship between unit labor costs and prices, and the manner in which gains in productivity have been distributed in the past.

Before examining the record, I would like to make it clear that in my judgment, the use of the term "labor productivity" is an unfortunate conjunction of two words which are far from being related. As a matter of statistical convenience, changes in productivity have usually been measured in terms of the *output per worker* of the *output per man-hour*.[2] Unfortunately, many persons have taken the use of this statistical measure to mean that labor is responsible for the changes in productivity which are so recorded. While workers have made some contribution, the fundamental factors contributing to productivity have been the marked expansion in plant and equipment—the tools which the worker has available—and managerial know-how. The use of a convenient statistical measure such as output per man-hour, should not be allowed to confuse these causes and effect relationships.

Prewar Trends

According to studies prepared by the U. S. Bureau of Labor Statistics, "Output per man-hour in *manufacturing* industries increased at an average rate of 3 to 3½% yer year during the period 1909-39."[3] However, the rate of increase was much slower in the decade 1929-1939 than in the decade from 1919-1929. According to the Bureau's studies, "From 1919 to 1929 . . . output per man-hour rose nearly three-quarters and from 1929 to 1939 increased an additional one-third." These figures indicate that despite the widespread use of the figures 3 to 3½%, as the average annual increment, the actual increases have been much more irregular. In other words, there is nothing certain nor sacrosanct about this 3-3½% figure so far as any particular year or even decade is concerned.

In the *mining* sector of the economy, the BLS estimates that in the 20-year period 1919-39, output per man-hour doubled or rose an average of 3% annually. For *railroad transportation*, productivity, as measured in terms of passenger mileage and freight ton-mileage carried per man-hour of labor, increased at a rate of slightly less than 3% a year during the 1919-39 period. For *electric utilities*, the annual rate of increase was somewhat greater.

A much slower rate of increase in output per worker (man-hour data are not available) was recorded in agriculture. According to the estimates of Solomon Fabricant, the output per worker in this sector of the economy increased at the average of 1 to 1½% annually from 1909-1939.[4]

In other sectors of the economy such as service industries, government, trade, construction, etc., data concerning output per man-hour is much less satisfactory. But the available fragmentary evidence suggests that output per man-hour has risen much more slowly in these areas than has been true in manufacturing, mining, and the other sectors previously described. These areas of the economy accounted for more than half the national income prior to the war. For the economy as a whole, it may be estimated that output per man-hour about doubled from 1899 to 1939 or an increase of less than 2% compounded annually. *Certainly there is nothing in the long-term prewar record of increases in productivity which suggests the possibility that annual increases in wages of 10 or 15 or 18% can be made from this source.*

Nor is there anything in the prewar record which suggests that increases in productivity will be uniform from year to year or will take place at uniform rates for different industries. Thus, a study of 38 manufacturing industries showed that output per man-hour rose 300% in two cases and less than 67% in seven instances in the period from 1909-1937.[5]

Before concluding this survey of the prewar period, it is important to point out a very significant relationship which helps to explain the increase in productivity during that period. From 1899 to 1939 the installed horsepower in manufacturing increased by more than 400%. Despite a decline of almost one-third in the number of hours worked per week in manufacutring industries, manufacturing output increased by 275% during this same 40-year period. When it is recalled that in 1939 the economy was in a semi-depressed state and that plant and equipment was not being used fully, the close relationship between installed horsepower and manufacturing output becomes evident. When comparisons are made between installed horsepower per wage earner and production per wage earner, a close correlation is found over the years.[6] *So close has been this relationship between toolpower and production that there can be little doubt that it has been the predominant force in the increase in productivity previously described.*

How did workers fare as a result of this prewar increase in productivity? The American Federation of Labor, in a survey covering the period 1911-1939, has summarized these gains as follows:

"Under our American free enterprise system, workers have made amazing progress in raising their living standards in the last 30 years. . . . Even after hours of work in industry had been reduced from an average of 54½ per week in 1911 to 40 per week in 1939, the increase in workers' wages was so great that their pay for the shorter week in 1939 was 37% above what they received for a longer week in 1911, and their actual buying power was $450 more a year. With 14½ hours more leisure per week and $450 more to spend per year, workers had better homes, better health, more time for their families, and greater home comforts including autos, radios, home appliances, furniture, etc. . . . Living standards do not rise by any magic formula. *They can rise only when workers produce more per hour and per year of work.*" (Italics mine.)[7]

Shorter working week, higher hourly earnings, goods of improved quality, and lower prices—these have been the gains workers have received from increasing productivity. Other members of the population have benefited primarily through improved quality and lower prices.

Wartime Trends

During the war, a diverse pattern developed in connection with productivity. In the *non-manufacturing* sector of the economy, many large increases in productivity were recorded. From 1939 to 1945, the Bureau of Labor Statistics reports the following increase in output per man-hour.

	—%—
Bituminous coal	+12.6
Crude petroleum and natural gas	+27.7
Iron Ore	+17.3
Copper—recoverable metal	+15.1
Copper ore	+49.2
Lead and zinc ore	+45.3
Steam railroads—revenue traffic	+39.5
Electric, light and power	+81.4
Agriculture	+22.2

Moderate decreases in output per manhour were recorded for anthracite coal, and recoverable lead and zinc.[8] This wartime record reflected mainly the effects of a large increase in volume which was sustained at a high level for several years.

For *manufacturing* industries, on the other hand, a very confused picture emerges. As war industries developed from what was virtually a handicraft to a mass production basis, tremendous increases in productivity were recorded. However, in the civilian sector of the economy, the record was much less favorable. Thus, out of 32 non-munitions manufacturing industries, for which data were reported by the Bureau of Labor Statistics, in 13 instances output per man-hour in 1944 was actually *lower* than in 1939. For eight other industries, an increase of less than 10% was reported during the war period.

But changes in productivity tell only part of the story if we are interested in costs and prices. It is important to consider also what happened to hourly earnings. Data are available for hourly earnings and output per man-hour in 30 of these 32 non-munitions industries. In only two cases was the rise in productivity greater than the increase in hourly earnings so that actual unit labor costs declined (ice cream and rayon and allied products). For many products, hourly earnings rose even though productivity was declining. In many such industries the increase in unit labor costs exceeded 50% from 1939 to 1944. For example:

	-%-
Beet sugar refining	83.5
Cement	52.0
Canned and cured fish	54.6
Flour and other grain mill products	66.2
Clay construction products	51.0
Lumber and timber products—saw mills	75.1
Non-ferrous metals—primarily smelters and refiners	51.4
Paper and pulp	52.1
Chewing and smoking tobacco and snuff	51.7

Even in those areas of the economy where productivity did increase during the war, the rise in hourly wages in most instances was even greater so that unit labor costs rose on balance. Thus, from 1939 to 1944, unit labor costs for the following products increased despite the increase in productivity:

	-%-
Coal	31.7
Iron ore	18.9
Leather products	27.8
Confectionery	27.8
Bread and bakery products	29.9
Boots and shoes	46.9

Price increases accompanied these rises in unit labor costs. It was these price increases rather than improvements in productivity which made possible many of the wartime wage increases. To the extent that future increases in productivity occur without corresponding rises in wage rates, it will be possible to reverse these price increases, in part. *Certainly, any betterment in productivity will be utilized more effectively in the national interest if it is used to reduce prices rather than to pay further wage increases.*

Ewan Clague, Commissioner of Labor Statistics, has summarized the wartime productivity as follows:

"After the beginning of the war, now new capital equipment was produced for our civilian industries. In effect, the normal technological progress which takes place year after year under peacetime conditions in these industries was halted by the war. *The general result was to freeze the levels of output per man-hour at about the prewar level although here again there was great diversity in movement.* Some industries, especially those in which production levels fell sharply, experienced substantial drops in output per man-hour. In others, output per man-hour, aided by various favorable factors, continued to climb despite wartime difficulties.

"So far as we can judge, output per man-hour in most of our industries today is at or above prewar levels."[9]

Other factors which contributed to holding down productivity in these industries included the necessity to use substitute materials, manpower shortages, disruptions to the flow of materials, inability to obtain an adequate supply of parts to maintain equipment, and related wartime dislocations.

Transition Period

Satisfactory data concerning changes in productivity since the end of the war are not available. However, there have been several questionnaire surveys to determine the level of productivity in the latter part of 1946 as compared with the pre-war period. Such surveys have been made by *The Conference Board, Iron Age, Steel Magazine, Modern Industry*, and *Mill & Factory*. The main results of these studies were as follows:

The Conference Board (Sept. 1946)

"Slightly over half the companies report that labor productivity is lower today than in the immediate prewar period . . . the most common estimate was a drop of 10% to 20% . . .

". . . slightly more than 15% state that the productivity of their employees has increased. . .

"Nearly 30% of the executives indicate that labor in their companies is as productive today as before the war."[10]

Iron Age (metal working plants—Dec. 1946)[11]

Steel (November 1946)

63.0% of all plants report a decline averaging 21.7%.

13.2% report an increase averaging 24.0%.

23.8% report no change.[12]

Mill & Factory (A survey of all types and sizes of manufacturing companies—August 1946)

"Only 10% of the respondents state that labor efficiency in their plants is better than prewar. 35% say it is about the same and 55% say that their labor efficiency is less . . . some by as much as 50%."[13]

Modern Industry (November 1946)

This study found that "73% of plant managers find current productivity below prewar standards.[14]

These five surveys all point to this conclusion. *More than half of the companies surveyed reported in the latter part of 1946 that productivity was lower than it was before the war while only between 10 and 15% reported that productivity was greater.* It must be recognized that in many cases, "horseback judgments" rather than evidence based upon precise quantitative measurement, may have been given in response to these surveys. Nevertheless, on the basis of these surveys, it seems clear that the great increase in productivity anticipated immediately after the termination of hostilities has not yet materialized.

To appraise the outlook we must first determine the reasons for this failure. 1946 witnessed a combination of developments which inevitably were reflected in lower levels of output per man-hour than might otherwise have been attained. The more important factors which have been blamed for this situation have been:

1. Strikes.
2. Shortages of materials and parts.
3. Absenteeism.
4. High labor turnover.
5. Disorganization of production attending reconversion.
6. "Unhealthy attitudes" by many workers.
7. Overemployment—e.g., hiring workers in anticipation of need, hoarding of labor, etc.
8. Union regulations; make-work practices.
9. Low volume, attributable to many of the above factors.
10. Inexperience of workers.

It seems to me that many of these factors are becoming steadily less important and that as a result output per man-hour may be expected to improve in the months ahead. The termination of price controls and the steady expansion in output will mean fewer shortages of materials and parts and hence less disorganization of production. Since this disorganization has been an important factor in holding down productivity, its modification and elimination is a major favorable factor. As volume expands and markets return to normal, hoarding of labor and overemployment will be reduced with the consequent improvement in overall totals of output per man-hour. At the same time, workers are acquiring more experience in peacetime jobs and the transition period restlessness is slowly but surely simmering down.

The major retarding factors in 1947 can be strikes and make-work practices. Events in recent weeks indicate a greater willingness on both sides of the collective bargaining table to seek settlements by peaceful means. Certainly, there is reason to hope and believe that the paralyzing strikes of last year will not be repeated. This does not mean there will be no strikes. Rather, I am moderately optimistic that they will be less extensive than a year ago. As regards make-work practices, I am deeply pessimistic. There is little evidence that has come to my attention that this cancer on the body economic can or will be removed.

Thus far, the analysis has been negative in nature—emphasis has been given to removing the bar-

1 I have developed other aspects of the wage-price problem in my recent study ***Wages and Prices*** published by the Foundation for Economic Education, Inc., January, 1947, 88 pp.

2 Because of inadequacy of data, long-term comparisons are sometimes expressed in terms of *output per worker*, rather than *output per man-hour*. It should be noted that the former measure is affected by the number of hours worked. Because of the reduction in the number of hours worked per week, indexes of output per worker shows smaller increases than indexes of output per man-hour over a period of time.

3 "Productivity Changes Since 1939," *Monthly Labor Review*, December, 1946.

4 Solomon Fabricant, "Labor Savings in American Industry—1899-1939," *Occasional Paper No. 23*, National Bureau of Economic Research, November, 1945.

5 Solomon Fabricant, *Employment in Manufacturing*, 1899-1939, National Bureau of Economic Research, 1942, pp. 101-113.

6 U. S. Department of Commerce, *Survey of Current Business*, January, 1943, p. 26.

7 American Federation of Labor, *Labor's Monthly Survey*, February, 1946, pp. 3-4.

8 "Monthly Labor Review," *op. cit.*

9 Address before the Society for the Advancement of Management, Dec. 6, 1946.

10 *Business Record*, The Conference Board, September, 1946, p. 374.

11 *Iron Age*, Jan. 2, 1947, p. 111.

	Plants	Employing
Lower than prewar	282	336,287
Higher than prewar	131	172,768
Unchanged	240	278,440
Total	653	787,495

12 *Steel*, Jan. 6, 1947, pp. S-16 to S-19.

13 *Mill & Factory*, August, 1946.

14 *Modern Industry*, Nov. 15, 1946, p. 52.

riers to production. But there are positive factors making for a rise in productivity. Three must be mentioned.

1. Improvement in machinery and equipment.
2. Better planning and shop management.
3. Greater volume of production.

The large increase in physical plant and equipment and the many improvements in production techniques developed during the war are familiar to all of us. Since the end of the war, new plant and equipment has been bought in record amounts. Thus in 1946, expenditures on plant and equipment by all American industry aggregated almost $12 billion or more than 25% greater than the previous peak peacetime outlay in 1929.[15] However, the physical plant did not increase by this proportion since part of the greater expenditures reflected the effect of higher prices.

For manufacturing alone, expenditures for plant and equipment in 1946 have been estimated at almost $6 billion—and expenditures have been rising steadily in every quarter since the beginning of 1945.[16] These new investments when added to the salvageable part of the plant and equipment built during the war, add up to greater toolpower for the worker and hence greater productivity.

I would like to say a few words about the relationship between volume and productivity. Two types of increases in volume must be sharply distinguished:

1. Increases from less than capacity to capacity production; and
2. Increases due to an expansion in total capacity or the installation of new and more efficient plant and equipment.

The former is a short run phenomenon and one that will be important in the months ahead for many industries which suffered from "transitionitis" last year. Increases in output per man-hour because of an expansion in total capacity or the substitution of new tools is a long run phenomenon. It depends upon new developments in technology and upon an economic environment conducive to making the necessary investment required to expand capacity. By its nature, it is necessarily slower than gains due to better utilization of existing plant and equipment. Output per man-hour can rise sharply as low level operations are replaced by capacity or close to capacity operations in the durable goods industries.

Well, where does this leave us in connection with productivity in 1947? On balance, I anticipate that *productivity at the end of 1947 will be greater than at the present time*. If I were to hazard a guess as to the magnitude of the increase, *a 5 to 7% rise for all manufacturing would seem to be reasonable*. Of course, it will be recognized that the experience among industries will vary widely. It would seem logical to anticipate that *in general the greatest gains will be recorded in those durable goods industries which suffered transition pains last year while a poorer showing seems probable for the non-durable goods sectors of the economy.*

There is one development which must be kept in mind in measuring future changes in productivity. I refer to the large increase in hours paid for but not worked. The increase in paid vacations, portal to portal pay, sick leave and other developments of the past few years have added to the number of *hours paid for but not worked*. Output per man-hour data are usually based on hours paid for rather than hours actually worked. To the extent that there is an increase in the number of hours paid for but not worked, the statistics of productivity will be held down and the increases that might be anticipated upon the basis of expending toolpower will not be reflected in the available statistics. Hoarding of labor by management has had a similar effect upon these statistics during the past year. Part of the gains in productivity for *actual* working hours will be used to pay for this idle time; to the extent this is true such gains cannot also be used to pay higher wage rates or to lower prices.

The foregoing discussion has emphasized the dimensions of past and future increases in productivity. Clearly, *modest gains rather than miracles are to be anticipated from productivity.* With this background let me close with some summary observations regarding the probable trends of prices in the periods ahead.

1. The cost of living index is either at its peak or has actually passed it.
2. We have already witnessed declines in food prices and lower prices seem probable.
3. Clothing and textile prices seem destined for lower levels as the year moves on.
4. Prices of "hard goods" may be expected to rise somewhat more if further large wage increases are granted. Otherwise, I suspect that they, too, are at their peak with moderately lower prices probable later in the year.
5. Rents will move higher.

The extent of the decline in livng costs will depend upon what happens to wages. Past experience has demonstrated a close relationship between unit labor costs and the prices of finished manufactured goods.[17]

Wage increases will make impossible the price reduction which is so urgently required; on the contrary, for the affected products it will mean higher prices in many instances. However, it is probable that the higher cost of non-food products will be more than offset by the decline in food prices so that on balance living costs will still be moderately lower. This will be only minor consolation to the many groups who have been badly squeezed by the rise in living costs and whose main hope for relief is a substantial reversal of that rise.

Labor has been emphasizing that large profits make possible a 25% wage increase without the necessity for raising prices. As I have demonstrated elsewhere,[18] this claim is fallacious. However, there are some sectors of the economy where profits are large enough to permit either wage increases or price decreases. It must be remembered that a price decrease helps everyone while a general wage increase will benefit fewer than a third of our people. *Where such situations prevail, the national interest, as well as that of the company or industry affected, will best be served if the alternative of lower prices is adopted.*

15 U. S. Dept. of Commerce, *Survey of Current Business*, December, 1946, p. 14.

16 U. S. Dept. of Commerce, *Survey of Current Business*, December, 1946, p. 16.

17 *Productivity and Progress*, The Conference Board, 1946, p. 17.

18 Jules Backman and H. R. Gainsbrugh, *Profits in the National Economy*, The Conference Board, 1947, and Jules Backman, *Critical Appraisal of the Nathan Report* (mimeographed), American Iron and Steel Institute, Jan. 10, 1947.

Gimbernat & Sellwood To Be Formed in N. Y.

Gimbernat & Sellwood, members of the New York Stock Exchange, will be formed as of March 15th with offices at 111 Broadway, New York City. Partners will be Jules R. Gimbernat, Jr., Richard M. Sellwood, Jr., Irving H. Isaac, and Harold S. Stonehill, the firm's Exchange member.

Mr. Gimbernat has been a partner in Ira Haupt & Co., with which he has been associated for many years. Mr. Sellwood has been doing business as an individual floor broker.

City Bank Farmers Trust Co. 125 Years Old

The City Bank Farmers Trust Co. of New York, first company in America to receive trust powers, is celebrating its 125th anniversary. On the last day of February, 1882 the State Legislature of New York acted favorably on a petition by John T. Champlin and associates by granting them a charter under the name of Farmers Fire Insurance and Loan Co. John T. Champlin became the first president. In 1835 the fire insurance business was discontinued and the name was changed to Farmers Loan & Trust Co. the following year.

In June 1929 the Farmers Loan & Trust Co. became affiliated with National City Bank of New York under the name of City Bank Farmers Trust Co. as a consolidation of the trust organizations of Farmers Loan & Trust Co. and of National City Bank.

A. D. B. Pratt Dead

Alexander Dallas Bache Pratt, retired New York stockbroker, died in Palm Beach, Fla.

Investment Bond Club of Portland Elects

PORTLAND, OREGON—The Investment Bond Club of Portland held their annual election of officers and a Board of Governors Feb. 21, with the following results: President, Lawrence W. Shiels,

Camp & Co.; Vice-President, George A. McFaul, Hess & McFaul; Secretary and Treasurer, L. Brooks Regan, Foster & Marshall. Other members of the Board of Governors elected were: Elbert H. Greene, Conrad, Bruce & Co., and Ray K. Daugherty, Daugherty, Cole & Co. Don R. Van Boskirk, Atkinson & Jones, was the retiring President.

BARNSDALL OIL COMPANY

and Subsidiary Companies

Consolidated Balance Sheet—December 31, 1946

ASSETS

Current Assets:		
Cash	$ 7,554,028.83	
U. S. Government Securities, at Cost	13,903.13	
U. S. Treasury Tax Notes, at Cost	520,000.00	
Accounts Receivable	3,235,366.86	
Inventories of Crude Oil, at Market	108,926.19	
Inventories of Oil Products, at Market	171,045.43	
Inventories of Supplies, etc., at lesser of Cost or Market	752,473.36	
Total Current Assets		$12,355,743.80
Investments in Stocks, Bonds and Mortgages of Other Companies, at Cost or Adjusted Values:		
Bareco Oil Company, Common Stock	$ 41,633.75	
Other Investments	99,319.33	
		140,953.08
Barnsdall Oil Company Stock Held by Subsidiary Company Not Wholly Owned (4,800 Shares at Par)		24,000.00
Fixed Assets:		
Plant and Equipment, at Cost	$44,349,614.62	
Less: Reserve for Depreciation	25,126,985.76	
	$19,222,628.86	
Oil and Gas Leaseholds, Developed and Undeveloped	1.00	
		19,222,629.86
Deferred Charges to Operations:		
Prepaid Expenses, Advances, etc.		333,400.76
Total Assets		$32,076,727.50

LIABILITIES, CAPITAL STOCK AND SURPLUS

Current Liabilities:			
Accounts Payable		$ 2,093,162.42	
Accrued Expenses		80,176.06	
Accrued Taxes, State and Federal		1,066,131.37	
Total Current Liabilities			$ 3,239,469.85
Capital Stock and Surplus of Subsidiary Company Not Wholly Owned by Barnsdall Oil Company:			
Capital Stock		$ 35,687.00	
Surplus		18,393.88	
			54,080.88
Capital Stock (Par Value $5.00 Per Share):			
Authorized	4,000,000 sh.		
Issued	2,258,779 sh.		
Held in Treasury Dec. 31, 1946	35,472 sh.		
Held in Treasury Dec. 31, 1945	35,472 sh.		
Outstanding Dec. 31, 1946	2,223,307 sh.		
Outstanding Dec. 31, 1945	2,223,307 sh.		11,116,535.00
Surplus:			
Capital Surplus		$ 3,047,241.45	
Earned Surplus, since Dec. 31, 1940		14,619,400.32	
			17,666,641.77
Total Liabilities, Capital Stock and Surplus			$32,076,727.50

Consolidated Statement of Income and Earned Surplus

For the Year Ended Deccember 31, 1946

Gross Operating Income		$17,016,637.40
Operating Charges:		
Costs, Operating and General Expense	$ 5,539,871.33	
Taxes, General	940,132.01	
		6,480,003.34
Net Operating Profit		$10,536,634.06
Non-Operating Income:		
Dividends and Interest	$ 91,381.63	
Profit on Sale Capital Assets	3,181.30	
		94,562.93
Income Before Deductions		$10,631,196.99
Deduct:		
Interest		220.13
Profit Before Other Deductions		$10,630,976.86
Other Deductions:		
Depreciation	$ 1,497,886.12	
Lease Purchases and Geophysical Research Expense	1,544,408.24	
Intangible Development Costs	1,812,560.76	
Profit Applicable to Minority	(5,979.56)	
		4,848,875.56
Net Profit Before Federal Income Tax		$ 5,782,101.30
Provision for Federal Income Tax		668,289.83
Net Profit Accrued to Company		$ 5,113,811.47
Earned Surplus at Beginning of Year		11,501,755.90
		$16,615,567.37
Less: Dividends Paid	$ 2,000,976.30	
Portion of Dividends Paid to Subsidiary Company	4,809.25	
		1,996,167.05
Earned Surplus Since December 31, 1940		$14,619,400.32

Capital Surplus

Capital Surplus, December 31, 1945		$ 2,215,461.35
Add:		
Realization of Assets previously charged to Capital Surplus	$ 47,612.40	
Barnsdall Oil Company portion of excess realization over par of Barnsdall Oil Company stock sold by a subsidiary company not wholly owned	97,941.58	
Realization from Bareco Oil Company capital distribution	686,581.00	
		832,134.98
		$3,047,596.33
Deduct:		
Barnsdall Oil Company portion of excess cost over par to a subsidiary company not wholly owned of its own stock purchased		354.88
Capital Surplus, December 31, 1946		$3,047,241.45

U. S. and the Defense of Turkey

(Continued from first page)

quence would be that American and British oil interests in the Middle East would be seriously jeopardized.

This is the main reason why not only Great Britain but the United States too were behind Turkey during the recent political crisis due to Russia's demand for participation in the defense of the Dardanelles. The Turks believe that, if they let Russian troops occupy the Dardanelles forts, the end of Turkey as an independent state will be a matter of months.

Turkey is the largest and most developed nation in the Middle East; she is the only really modern state. The Turks are a tough and courageous people, they are great patriots, determined to defend their homeland against any foreign aggression. However, today they are struggling against serious political and economic odds.

"We will defend ourselves in any case, if we are attacked," the Turkish Foreign Minister told newspapermen, "but, whether we will win the war or will be conquered, depends on how far the Western world is willing to help us."

Deterioration of Turko-Russian Relations

Turko-Russian relations have been deteriorating for many years, especially since 1940, when Turkey concluded a pact of friendship and mutual assistance with Britain and France. During the war relations between Turkey and her powerful neighbor in the North remained cool but correct. According to secret documents, found by American investigators in the archives of the German Foreign Office, Generalissimo Stalin, in 1941, foresaw already, that a showdown between Russia and Turkey was inevitable. "Turkey needs a spanking" Stalin told the German Ambassador at the height of Russo-German friendship.

Turkey's belated declaration of war on Germany and Japan in February, 1945, failed to improve relations with Russia. One month later, Russia not only denounced the Turko-Russian friendship and neutrality pact of 1925 but stated publicly that she would set conditions for the conclusion of a new treaty between the two countries. These conditions were: (1) Cession of the Kars and Ardahan regions in Eastern Anatolia to Russia; (2) Revision of the Montreux conventions on the Dardanelles; and (3) Russian participation in the defense of the Straits.

The Turkish government, firmly supported by all Turkish parties and groups, flatly rejected these claims. The Turkish position was upheld not only by the other signatories of the Montreux pact but also by the United States which had not signed the convention. Under Secretary of State Dean Acheson declared with Presidential approval that "this country was determined to stand firmly against Russian military expansion into the Turkish controlled Dardanelles." A diplomatic note in this sense was sent to Moscow by the State Department. To show the Russians that the United States "meant business", the American battleship "Missouri" and other units of the American fleet visited Turkish ports, enthusiastically received by the Turkish population.

Continuing Russian Propaganda

The Russians so far have not reiterated their proposals but there is no indication that they have given up their plan. Russian radio and newspaper propaganda against the present Turkish regime continues without respite. The Russian Ambassador to Turkey has not regained his post. Russia's efforts to stir up unrest among the national minorities in Turkey, such as the Armenians and the Turks, are continuing.

Today, the Russian's apparently are preparing their next move on the international chessboard. They believe that time is working for them. Their "wait and see" policy may bring them certain advantages: (1) The Turkish internal situation will deteriorate; (2) The Turkish economy will collapse under strain of continued military mobilization; (3) The United States will withdraw from the Middle East.

Regime Disintegrating

Since the death of Kemal Ataturk, founder and first President of the Turkish Republic, the one-party regime has been disintegrating. Ismet Inonu, Ataturk's successor at the Presidency, has been a close friend and collaborator to this extraordinary personality. But he has neither the stature nor the stamina nor the presigte of his predecessor. Several members of the governmental "People's Party" seceded from the majority, some time ago, and founded the "Democratic Party," headed by Celal Bayer, Ataturk's Minister of National Economy. The "loyal opposition" supports the Government in matters of foreign policy but it is highly critical on the Government's achievements on the domestic scene. They accuse Inonu and his collaborators of having built up one of the worst systems of secret police supervision in the world. All constitutional liberties and rights have been virtually suspended during recent years.

Foreign observers of Turkish conditions confirm this statement. They add that "Turkish public life has become imbued with corruption and bribery to an extent unknown even at the time of Sultan Abdul Hamid."

The Turkish economic situation has become critical since the end of the war. When the war ended with the victory of the United Nations, Turkey hoped that she could demobilize her army and send home her soldiers, some of whom had been kept under arms for more than five years. But Russian pressure on Turkey forced President Inonu's Government to postpone demobilization of the army which remained on a war-footing. Today, Turkey maintains an army of 750,000 which is a very heavy load for a country with a population of only 19,000,000. This is several times the size the resources of Turkey would justify.

The Turkish budget now runs up to 900,000,000 Turkish pounds a year, of which LT 500,000,000 or 55% are spent for military purposes. Turkey's national debt has more than doubled during the war and amounts today to LT 1,500,000,000 against LT 620,000,000. However, the Turkish state owes nearly all its debt to the Turkish people. Turkey even paid off most of her foreign debts during the war.

Economy Strained by Military

Nevertheless, continued mobilization of many thousands of her able-bodied men is a heavy strain for the Turkish economy. These men which are kept in frontier garrisons are badly needed by Turkish farms and industrial enterprises. The Turkish program for industrialization has been delayed considerably. Turkey today faces the danger of serious monetary inflation. Banknote circulation in Turkey has increased from LT 190,000,000 before the war to LT 1,000,000,000 in 1946. Prices have been skyrocketing and have been fluctuating during the last years. Prices were up to 715 (1938=100) in 1943 but went down to 459 toward the end of the year. They have remained at this level for the last three years although prices of some articles collapsed suddenly after the war.

Currency Devaluation

In 1946, the Turkish Government decided to adjust the foreign exchange rate to the reduced internal purchasing power of the currency. The official buying rate of the Turkish pound had been maintained at LT 5,2 for the pound sterling. Actually the exchange rate of the pound was 40% higher as Turkish exporters received LT 7,28 to 7,76 for the pound sterling. The new exchange rate was fixed at LT 11,28-11,39 respectively which reduced the Turkish currency to approximately 50% of its prewar value.

The currency devaluation was expected to stimulate Turkish exports abroad, especially the shipments of tobacco to the United States. The sharp reduction of Turkish exports after the war is the second basic element of the economic crisis. Germany before the war dominated Turkish foreign trade absorbing 37% of her exports and supplying 42% of her imports. The United States' share was 14% of the exports and 15% of the imports. Italy, shortly before the war, had become the third important country in Turkey's foreign trade, closely followed by Great Britain, once Turkey's most important customer and supplier.

During the war, Germany and the allies both competed for Turkish goods and were willing to buy them at almost any price. Germany actually needed Turkey's foodstuffs and minerals but the Allies did not want strategic raw materials to come into the hands of the enemy. In 1944, when the Allies had won the battle of the Mediterranean, they obtained agreement from Turkey that all exports of chrome and other minerals to Germany would be prohibited.

Turkey's trade relations with the outside world, therefore, were more dependent on political than on economic conditions. The fluctuation of internal prices which was due to an increasing currency inflation failed to affect the sale of Turkish products to the belligerent nations. When the United States entered the war, Turkey declared that her neutrality was actually favoring the cause of the Allies. She asked and received important amounts of American lend-lease materials to strengthen her military force. American exports to Turkey went up from $8,300,000 before the war to $87,300,000 in 1943. 98% of the American shipments went on lend-lease account and comprised military equipment and other supplies.

Today, Turkey's foreign trade position has changed completely. She lost not only her most important market in Germany but also the secondary outlets in Central Europe and in the Balkans which are part of the Russian orbit. The world generally will not pay inflated prices for Turkish agricultural products and minerals.

The currency devaluation which was carried out last summer is expected to stimulate Turkish exports abroad. America has become Turkey's most important customer and bought during 1946 goods worth $65,000,000. This is considerably more than before the war when, in the average of the period 1935-1938, Turkish exports to USA were less than $16,000,000 a year. However, much of the increase in export values to USA is due to price increases. The volume of Turkish shipments is not much higher than before the war. Oriental tobacco, especially cigarette leaves, still head the Turkish export list to the United States, but, recently, America has bought increasing quantities of Turkish copper and chrome. This is in accordance with America's long-range policy to replenish her vanishing stocks of strategic raw materials.

American trade with Turkey is threatened by the recent protectionist trend among Southern tobacco growers. The agricultural commissions of 13 Southern states have declared that they will oppose reduction of duties on imported tobacco from Turkey and other sources of blending leaves. If the Southern tobacco growers win their cause, hope of stimulating American-Turkish trade relations has to be abandoned.

Turkey, on the other hand, has been buying a great variety of American industrial products. American exports to Turkey have been worth $35,000,000 last year. Turkish buyers were particularly interested in railway and electrical equipment, in industrial machinery, in passenger cars and trucks.

American Credits

The United States Government has been anxious to encourage postwar trade with Turkey. It wants to help this Middle Eastern country through the present period of economic troubles. Turkey's favorable trade balance with the United States is partly due to the $25,000,000 credit from the Export-Import Bank which she obtained recently. Turkey also negotiated credits up to $15,000,000 for the purchase of American army surplus material, left behind by the American armed forces in the Middle East.

Despite these substantial credits, the Turks have voiced dissatisfaction with the development of their financial negotiations in Washington. When Turkish emissaries arrived in this country, shortly after the war, they did not come to apply for commercial credits but wanted to obtain a large reconstruction loan for their country. Amounts totaling $500,000,000 were mentioned at this time. They wanted this loan to cushion the shock of the coming devaluation of the national currency.

They were turned down by the Treasury Department which did not want to engage the American taxpayer's money in this remote country. American authorities pointed out that Turkey would soon become a member of the Bretton Woods Monetary Agreement and that she could apply for substantial loans to the International Monetary Fund and the International Reconstruction Bank.

The Turks apparently heeded this advice. The Turkish National Assembly, on Feb. 18, 1947, passed a law, authorizing the Turkish Government to participate in the International Fund and in the World Bank. The Turkish share in each of these institutions will be $43,000,000.

So far the International Bank has not even started operating and there is little hope that the Turks will obtain their loan in the near future.

The Turks continue to look toward the United States. They hope that the United States will come out eventually buttressing Turkey's economy and helping her to overcome the present crisis.

That Turkey is an all-important roadblock against Russian expansion toward the Middle East, can hardly be doubted. If Turkey falls, it may be difficult to defend the Anglo-American oil interests in this region.

Help May Be Good Business

But helping Turkey in her present plight, may not be bad business after all. Turkey is fundamentally a healthy and potentially a rich country. It is a peasant country where 80% of the population live by agriculture and stock-raising. Agricultural planning directed by the Republican Government has completely revolutionized Turkish farming methods. The gain in farm output was spectacular. The wheat acreage was increased by 57%, but the yield went up by 125%. Maize and rye acreage increased each by 120% but the yield by 130%. A rise of cotton production of 300% was planned and actually carried out. The rise in tobacco production was 40%. Before the war, Turkey's export was almost exclusively agricultural: 27% was tobacco, 26% fruits (sultanas, nuts, dried figs, oranges, olives), 9% grain and only 5% chrome, copper and other minerals. There are practically no manufactured goods among the Turkish exports.

Progress in Industrialization

Turkey's industries were created to supply the home market, to make the country more independent from foreign supplies but not to compete with the products of other more industrialized countries on the world market. Turkey's industrialization, planned by Kemal Ataturk and his collaborators, has made important progress during the war. Most important is the mining industry which exploits the country's deposits of copper, chrome, emery, manganese. Coal has been discovered in the Ergeli region, 150 miles East of Istanbul, and more than 3,000,000 tons are now produced every year. New steel mills, textile factories, chemical plants and numerous other industrial installations have been built and are operating successfully. Turkish industry is now employing more than 300,000 workers.

The Turks built up their industry with virtually no foreign investments. Kemal Ataturk wanted to keep his country free from the encroachment of foreign capitalists which dominated the economy of the old Ottoman Empire. But this policy of financial self-sufficiency has now run into difficulties and is seriously delaying the development of Turkey's economic resources. A serious economic dilemma has arisen for the Turkish leaders. On one hand, they know that their country needs foreign capital; on the other hand, they want to continue the traditional policy of economic self-sufficiency and nationalism at home. They will have to decide for one or the other solution.

Past Discouragement to Foreigners

If Turkey wants to encourage investments of foreign capital, she will have to create conditions which make it attractive for foreign business to participate in the development of Turkey's economy. Turkish taxation methods, for instance, are made to keep out foreign capitalists. During the war, foreign capitalists had to pay a heavy capital levy while Turkish businessmen were let off lightly.

A change in Turkey's economic and financial relations with the outside world may be forthcoming, due to her postwar difficulties. Some American business firms have already set up what can be properly called "business observations posts." Early in 1946, the "Middle East Company" announced that it had arranged to set up in Turkey a new company with an initial capital of LT 200,000 ($110,000) which was incorporated under Turkish law with entirely Turkish officers. This American company is engaged in export and import business in this region. A few weeks ago, the "Twentieth Century Fund" declared that it would carry out an extensive survey of Turkish economic conditions in view of developing business relations with the United States.

Political interest and economic need point toward the development of closer relations between USA and Turkey in a near future. After Saudi Arabia, Turkey may become the second outpost of American interests in the Middle East.

Outlook for Security Prices

(Continued from first page)

earnings of many corporations were low because of strikes and serious reconversion difficulties. How can we explain this enigma: stock prices down in the face of biggest earnings in history and the unprecedented conditions of employment, national income, savings, and needs.

Brilliant earnings reports are coming out daily and many corporations are operating currently with excellent earnings that will be publicly reported later this year; and yet their stocks are selling at levels that appear ridiculously low and usually prevail only when conditions are very uncertain, such as during the war.

A Complete Paradox

Reports are issued by company after company showing the largest peacetime unfilled orders in their history and in some instances their customers are told that no delivery can be made for many months, and occasionally not until two years hence. It is still difficult to buy a car, and refrigerators and washing machines are not freely available in the stores. In the face of these facts how is it possible that investors are unwilling to recognize the situation by bidding stocks up and how is it reasonable for many businessmen to take such a cautious viewpoint?

The solution to this Chinese puzzle lies in a correct answer to a simple question. Either the security market today is altogether wrong in its appraisal of the future and has been wrong for the last six months, or the present exceptional conditions of profits, dividends, employment, and business activity are temporary. This is a good question to ask because if the stock market has been completely astray in reflecting future conditions for as long as six months in the face of present earnings and dividends, it is an unusual performance indeed. Looking back over the record through past decades I think we will find that it is only rarely that stock prices for any length of time fail to adjust themselves to future events as they unfold. Therefore, anyone who questions seriously the rational behavior of the stock market over any long period of time is surely placing the burden of proof on himself and not on the stock market.

Market's Apparent Message

On this basis, which of course is purely arbitrary, the answer is that the present unusually good earnings wil not last long. The record shows that chances are perhaps between 5-to-1 and 10-to-1 that this answer is correct. In other words, "actions speak louder than words," and the action of the stock market since last summer spells with capital letters that the present period of high earnings will soon end.

Perhaps I should stop right here with this conclusion which is purely arbitrary on the basis of past historical experience. A conclusion based on this evidence, however, would be a slim reed upon which to rest the case. After all, there have been cases when stock prices over a period of months did go astray, even though they are rare. More important, however, such an analysis based on historical precedent really tells us very little. Assuming that we are faced with lower earnings over a period of time, it does not reveal either the seriousness or the extent or any coming decline in profits and dividends. Perhaps stock prices have already discounted any trouble that may lie ahead. To really answer the question properly requires a sound and basic analysis of economic and political changes that might occur in the next year or two. This is the only way in which it is possible to come to some judgment as to the outlook for security prices and paint a picture which will give a real answer.

The Alternatives Ahead

Such an analysis should answer, at least in approximate terms: (1) whether stock prices have gone completely astray and therefore will go up to even higher levels than those of last year; (2) whether they have already discounted whatever trouble may lie ahead, and (3) whether stock prices may suffer further declines over coming months.

This, of course, is a big order and no one realizes more than I do that in trying to come to a rational conclusion we are dealing with many imponderables which are difficult to appraise and judge. This does not mean that we should despair of solving the problem. Anyone who takes any action in the investment field is consciously or unconsciously acting upon his own judgment as to the outlook. Action pre-supposes prior judgment.

The point of departure in analyzing the outlook today must necessarily be the fact that we are now enjoying one of the greatest booms in history. Once our economy was released from war controls last year everyone, consumers as well as industry, went on a spending spree. In a situation of that sort commodity prices and the cost of living naturally leaped upward at a rapid pace. The demand for goods was great and supplies still limited so that both the public and industry became convinced that a prolonged period of prosperity, lasting several years, was assured. Under such conditions of a hectic inflationary boom it is more or less inevitable that sooner or later over a period of time various economic maladjustments and distortions develop in our economy. The dynamic forces that lifted consumer buying last year stimulated production and resulted in a price rise which has carried commodity prices to a point almost as high as during the period following the First World War. The speed with which these developments occurred was so great that serious distortions have already developed in our economy—distortions which would not have developed if the recovery had been slower, more even and better balanced.

Distortions Resulted From Quick Recovery

The principal maladjustment or distortion that has resulted is to be found in the field of consumers' goods and prices. Consumers increased their spending sharply for soft goods and for services. At the present time the rate of consumer spending, measured by total retail sales or other data reflecting consumption, is pretty close to the potential limit with present employment, production, use of accumulated savings and consumer credit. This, however, has not stopped prices at retail from rising further or stopped manufacturers from going ahead and increasing their output of consumers' goods. In fact, just as consumers are approaching their potential maximum rate of spending the manufacturers of consumers' durable goods, such as automobiles, refrigerators, washing machines and appliances of all kinds are really getting into production in a big way. Reconversion delays in industry made it impossible for manufaturers of these "hard lines" to enter the market earlier when the great rise in consumption and retail sales took place. The market for consumers' goods is becoming much less favorable just as we are faced with a flood of consumers' durable gods. No wonder that department stores preponderantly dealing in soft goods are being forced to reduce prices and engage in sales on an unprecedented scale.

In short, we find as the first and perhaps most important element in our economy today a distortion or maladjustment between prices, incomes and production which is occurring under boom conditions never before equalled in our peacetime history. Yet manufacturers of consumers' goods generally are still going ahead producing in large volume; and these goods will enter the market on an increasing scale as 1947 rolls on. To my mind this spells increasing difficulties in the consumer goods fields which will express themselves later this year in price reductions both in soft goods and in hard goods and in a lower rate of production of consumer goods generally. The consumers' durable goods will, of course, be in a much stronger position than soft goods.

Disequilibria in Consumers' Goods

The present situation in the consumer goods field is surely not being helped by the present strength in commodity prices and the continued high rate of production of consumers' goods. Inventories have accumulated for a number of months and while they are not high in relation to present sales, a further accumulation of inventories over a period of months will ultimately make these inventories burdensome in relation to the lower sales that are likely to prevail.

The only possibility of curing this economic distortion without a decline in prices and production is to increase consumers' incomes sharply or greatly to augment consumer purchases through a very sharp increase in consumer debt. Such an increase is only a temporary palliative and makes the situation worse in the end. Consumer income is unlikely to increase substantially during coming months. There will be a moderate increase in employment, but we are close to full employment now. Wage rates will show an increase, but it may be accompanied by further price increases. Capital expenditures by industry, so important in generating a high level of employment and incomes, are already running at a high rate and it does not seem probable that we can look to a great enough rise in such expenditures from this level to sustain the consumer goods market.

Present Capital Expenditures Abnormal

The second important point to note in our economy today is the large rate of capital expenditures by industry for plant and equipment. While it does not seem large enough to support the present rate of output of consumers' goods at present prices over a period of time, it is still much above normal on an historical or any other basis. We all know that industry is engaged in a large program of plant modernization and expansion. On the basis of present budgets of many corporations these capital expenditures might reach a peak this fall and decline in 1948. These budgets for capital expenditures (including expenditures for machinery and equipment of all kinds as well as industrial, commercial and utility construction) are influenced by general business conditions including those that prevail in consumer goods industries. The various divisions of our economy are closely related and developments in one sphere affect the prospects and developments in other spheres. If difficulties are encountered in the consumers' goods field because of distortions of the type that I have mentioned it is not difficult to visualize that many manufacturers may curtail or defer their expenditures for new plant and equipment, particularly when they find that costs have risen so sharply that it might be more advantageous to wait for more normal prices before carrying out their entire program.

Large Export Balance Will Taper Off

The third point to reckon with in my analysis of the future deals with the prospects for our foreign trade. No doubt 1947 will be a year of a large export balance, but as lend-lease shipments are coming to an end and as countries abroad begin to build up their devasted areas and their agricultural production it will be more difficult to maintain our huge export balance. The political trend is toward a less generous attitude in making large loans and gifts abroad. Without large loans it will be difficult for us to maintain our exports at the present rate.

Summary And Conclusion

To summarize these remarks, an analysis of present economic trends leads me to the conclusion that our economy today is dominated by elements that normally make for a boom of a major size. This analysis further suggests that our economy is in an unstable equilibrium and that over a period of months prices, production, employment and national income may decline. The very size of the boom suggests that the decline might be more severe than people now expect. Even if it should not be very severe, however, a decline can easily lead to a sharp curtailment of profits and dividends in many industries because of the high break-even points of many corporations and the difficulties that will be encountered in redusing costs.

This means, in effect, that the stock market is correctly discounting future events and that over a period of months it may decline further. The present boom in earnings and dividends was discounted a year ago in the stock market. At that time, when earnings were excellent in many industries and poor in others, the postwar boom was yet a number of months off and there were no indications that we would encounter the economic maladjustments and distortions that have occurred since last summer.

Under those conditions of a year ago the stock market was surounded by a psychological environment that was unusually favorable. Investors could use their imagination to the hilt in projecting postwar earnings and dividends according to their own wishes on the basis of the favorable economic outlook that could be painted with confidence. The earnings projections made at that time have been justified by present events in many cases. Unfortunately the fulfillment of the hopes is coming under economic conditions that are such as to make it difficult for stock prices to exploit the good news.

At the moment stocks are in a state of suspended animation fluctuating modestly within relatively narrow limits. Investors are holding their breath, more or less, to see what is going to happen. Stocks have shown a recovery from last fall's lows sufficient to satisfy both bulls and bears—the bulls because they expect prices to rise to new highs; the bears because the market has shown no more than the normal recovery that can be expected after the sharp decline of last fall. The stock market may continue to drift aimlessly for a while—perhaps for no more than another two or three months at most. The economic analysis that I have given suggests that once the period of drifting is over they are more likely to decline than to rise. Therefore, in my opinion, one should be careful about investments today. Patience may be well rewarded.

Roy O. Myhr Is With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Roy O. Myhr has become associated with Merrill Lynch, Pierce, Fenner & Beane, Rand Tower. Mr. Myhr has been active as an individual dealer in Minneapolis.

Frank E. Hailstone Opens

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Frank E. Hailstone has formed Frank E. Hailstone & Co. to engage in the securities business. Mr. Hailstone was formerly with Fox, Reusch & Co. and prior thereto with Katz & O'Brien.

F. J. Hughes & Co.

WASHINGTON, D. C.—Frank J. Hughes has formed Frank J. Hughes & Co. with offices in the Wardman Park Hotel to engage in the securities business.

Eccles Asks End of "Pegged" Short-Term Rate

(Continued from page 1251)
now before the House. The following statement gives in essence my answers to those questions:

Nature and Cause of Debt Monetization

In connection with financing the war, there was a tremendous increase in holdings of Government securities by commercial banks and by the Federal Reserve Banks. To a large extent this increase was necessary in order to facilitate financing the war and to provide the expanded money supply needed by the wartime economy. These holdings are mostly short-term securities but banks also hold some longer-term bonds.

To maintain a stable market for Government securities, the Federal Reserve System adopted a policy of maintaining the level of interest rates. The supported rates ranged from 2½% on long-term securities, purchased mostly by individuals and savings institutions, down to ⅞% on one-year certificates, generally owned by banks and other holders seeking liquidity. In addition, 90-day Treasury bills, mostly held by Federal Reserve Banks, were kept at ⅜%.

Although some efforts were made to restrict bank purchases of securities, various aspects of war finance made it attractive for banks to increase their holdings. For example, because of the supported market and the differential in rates, banks increasingly adopted the practice of selling short-term low-rate securities to Federal Reserve Banks, thus creating additional reserve funds which were used to purchase longer-term securities in the market. The reserves thus created could provide the basis for an expansion in commercial bank credit of between six and ten times the increase in reserves.

As long as the Reserve System stood ready to purchase short-term securities at the prevailing rates, the short-term rates could not rise. The banks could continue to sell short-term securities and buy longer ones, thus both expanding the amount of bank credit and reducing long-term interest rates. This practice—known as "playing the pattern of rates"—resulted in "monetization of the debt."

Effect of Debt-Retirement Program

During the past year, since the preparation of the Board's 1945 Annual Report, these tendencies have been suspended. The reason for this is that the Treasury, in retiring over $20 billions of maturing debt out of war loan deposit accounts with commercial banks, accumulated during the Victory Loan Drive, has put some pressure on the reserve positions of banks. Retirement of securities held by Federal Reserve Banks with funds drawn from commercial banks tends to reduce member bank reserves. In order to maintain their reserve positions, banks have had to sell securities to the Federal Reserve. At the same time banks have been increasing their loans to businesses, to consumers, and on real estate, and they needed funds for this purpose. While banks had to sell securities to meet these needs and have had many of their short securities retired, they have not sold additional amounts in order to buy longer-term Government securities.

Problem for Future

With the debt-retirement program approaching an end, there may be in the future a resumption of the tendency on the part of banks to sell short-term securities to the Federal Reserve in order to buy longer-term securities. This would mean a resumption of the practice of creating bank reserves through monetizing the debt and expanding credit by many times the amounts sold. It would also mean a resumption of the decline in long-term interest rates. The initiative with regard to this practice rests with the banks, which hold large amounts of Treasury certificates and of Treasury notes and bonds maturing during the next few years. At the same time there are substantial amounts of bonds held by nonbank investors eligible for bank purchase and a number of restricted issues which will become eligible at varying times in the future. The Federal Reserve under present powers and policies could not prevent such a development.

It would be undesirable, particularly in a period of inflationary pressures, to have the long-term interest rates forced down through monetization of the debt. A decline in long-term interest rates resulting from an excess of savings over the demand for investment funds would be desirable, but a decline because of bank credit expansion would be undesirable. Such a development would be an inflationary influence; it would also reduce the return on savings and, therefore, impose a serious burden on individuals and institutions, such as insurance companies, schools, and benevolent agencies, that are dependent on interest returns for their incomes. Should long-term rates decline much lower, many of the functions performed by these institutions would have to be taken over by Government, thus leading in the direction of socialism.

Solutions for the Problem

There are various ways of dealing with this problem; those generally suggested are as follows:

(1) The proposals made by the Board in its 1945 Annual Report would restrict, by one device or another, the ability of banks to shift from short-term securities to long-term securities and thus limit the extent to which banks could monetize the debt.

(2) The Reserve System could lift the present support level for the short-term interest rate and thus permit that rate to rise to a level at which banks would no longer be induced to sell short-term securities to the Reserve System in order to purchase longer-term securities in the market.

(3) It has been suggested that the decline in long-term rates might be checked by issuance of sufficient amounts of long-term securities.

(4) Monetization of the debt could be permitted to continue until long-term interest rates declined to a level at which it would no longer be attractive for banks to sell short and buy longer securities.

The Board's proposals would offer a solution striking at the basic cause of the problem, which is the great expansion in bank holdings of Government securities that can be readily converted into bank reserves at the will of the banks. A rise in short-term interest rates would remove another cause, namely the differential in interest rates, which encourages shifting short securities to the Reserve Banks and the buying of longer ones and creates premiums on long-term securities. Action to unpeg the short rate would be definitely preferable to the fourth solution of permitting debt monetization and the resulting decline in long-term rates to continue.

As for the third suggestion for checking the decline in long-term rates by issuing more long-term securities, it should be pointed out that if these securities are issues of the conventional market types, even though not eligible for purchase by banks, investors, in order to purchase the new securities, will sell existing holdings of eligible issues to banks. Banks in turn would sell short-term securities to the Reserve System and be able to purchase many times that amount of longer securities. As a result, monetization of the debt would be encouraged rather than discouraged.

Marketable issues, moreover, with Federal Reserve support, can be readily liquidated at par and thus are in effect demand obligations with the high rate of return. Because of the difference between long and short-term rates, prices of long-term bonds rise for many years after their issuance and holders of these bonds can sell them at a premium, thus obtaining not only the 2½% coupon rate but also an additional amount which may give a return of as high as 3%. The use of this solution would raise the interest cost to the Treasury and would encourage debt monetization for years to come by putting out marketable issues which in the future could be sold to banks at a premium. This remedy deals with effects not with causes. A rise in short-term rates would be more effective and less expensive to the Treasury than this method.

Such long-term bonds as need to be issued to absorb the savings of the public should be in a nonmarketable form, redeemable on demand prior to maturity at a discount so as to give a lower yield if not held until maturity. These bonds would be similar to the present Series G savings bonds with broader limits on amounts to be purchased and with substantially longer maturities. A reasonable rate could thus be paid for genuine long-term savings and thus protect individuals and institutions dependent on savings for their income. Holders would also be safeguarded against loss in case of necessary liquidation before maturity, but would not be guaranteed a high coupon rate, plus perhaps a premium, on short-term, highly liquid investments.

Conclusion

In summary, my view is that a fundamental solution to the problem of debt monetization rests in some such measure as those proposed by the Board in its Annual Report. In the absence of legislation toward this end, it would be desirable to permit some rise in short-term interest rates if necessary to prevent long rates from declining further as a result of debt monetization by banks. This does not necessarily mean that a rise in short-term rates is imminent. In case there is no resumption of debt monetization and declining long-term rates, then an increase in short-term rates may not be needed at all.

Additional investment outlets for long-time savings should be provided in the form of a nonmarketable obligation of the Series G type, but further issues of long-term marketable securities should be avoided.

Regarding the pending bill (H.R. 2233), now before the House Committee to restore open market buying of government securities by the Reserve Banks, Mr. Eccles offered the following memorandum:

The proposed bill has two purposes: First, it would make permanent the existing temporary authority, under the Second War Powers Act, whereby Federal Reserve Banks may purchase up to $5 billions of Government securities to meet temporary deficiencies in Treasury balances with the Reserve Banks. Second, it would remove a limit on amounts that may be expended on construction of Federal Reserve Bank branches.

1. Direct Purchase of Government Securities

The first proposal would restore to a limited degree an authority which the Federal Reserve System had from its inception in 1944 until the Banking Act of 1935. A provision was inserted in that Act requiring all purchases of Government securities by Federal Reserve Banks to be made in the open market, which means purchased chiefly from dealers in Government bonds. Those who inserted this provision were motivated by the mistaken theory that it would help to prevent deficit financing. According to the theory, Government borrowing should be subject to the "test of the market." The so-called "test" could only be applied to marketable securities, and the test would be meaningless unless applied to them in an entirely unregulated market. There could be no such market except at the risk of chaotic condtions in the bond market and incalculable added costs to the Government in managing the public debt.

Congress vested in the Federal Reserve authority to create reserves for the banking system primarily by purchases of Government securities in the open market. Purchases as well as sales of Government securities are made by the Open Market Committee, established by Congress for that purpose. Policy governing these operations is determined on the basis of the broad needs of the economy at any given time. Through these operations the Government bond market has been kept relatively stable, notwithstanding the vast increase in the public debt as a result of the war, and the Treasury has had an assured market for new as well as refunding issues at interest rates satisfactory to the Government.

Nothing constructive would be accomplished by the proviso that the Reserve Syste mmust purchase Government securities exclusively in the open market. About all that such a ban means is that in making such purchases a commission has to be paid to Government bond dealers. The prohibition would not restrict the total amount of Government financing, nor would it affect the general level of interest rates, and that is the only way in which the "test of the market" could be manifested. Interest rates on Government securities have been and will continue to be determined by the Open Market Committee in consultation with the Treasury. Finally, it is unrealistic to presume, as this theory does, that if Congress votes for expenditures but does not vote for sufficient taxes to cover the expenditures, the money market should erect barriers to discourage the practice.

The purpose for which the direct purchase authority has always been used in the past and would be used in the future is simply one of meeting temporary needs of the Treasury which, if met in other ways, would entail either needless additional costs in managing the public debt or equally needless fluctuations in the securities and money markets for brief periods. What is involved in the proposed bill is not a question of monetary theory or policy, but simply a question of efficient, economical and businesslike management of the public debt.

The direct purchase authority is in effect merely an overdraft privilege with the Reserve Banks—a line of available credit for use if needed. Without it, the Treasury would feel obliged to carry much larger cash balances, which means that it would have to borrow more and thereby increase the amount and cost of the public debt. In other words, having the overdraft authority, even though there may be no need to use it, enables the Treasury to carry smaller balances than would otherwise be possible and thus reduces interest charges. For every billion dollars of Treasury balance that can be saved in this way, interest costs would be reduced by at least $4 millions.

As the Committee knows, with a huge public debt, much of it in short maturities, frequent, periodic refunding operations are necessary. For example, more than $10 billions of Treasury bills, certificates and notes fall due in March, some $8 billions in April, and so on through the year. The same will hold true for years to come—as long as we have a debt of this magnitude. To have an uncertain or periodically tightened money market in view of this situation would be as impracticable as it is needless.

I append to this statement a table which shows the number of occasions on which the direct purchase authority, granted temporarily in the Second War Powers Act of 1942, has since been used. The table shows that in 1942, 1943 and again in 1945 all of them falling at periods there were approximately 60 days, when the Treasury had to meet large payments, generally for interest or for redemption of maturing debt, a few days before large tax receipts were deposited. In effect, the Treasury had an overdraft with the Federal Reserve Banks for these few days when the Treasury balances at the Federal Reserve Banks were less than the amounts needed to meet withdrawals. Subsequently these deficiencies were overcome and the Treasury balances at the Reserve Banks were built up again as deposits were made to these accounts of tax payments received by Internal Revenue collectors.

The temporary overdrafts did not mean that the Treasury had no funds. It had large deposits in War Loan Accounts with commercial banks at all these periods. Sufficient funds could have been transferred from the War Loan Accounts to the Federal Reserve Banks to cover all expenditures. However, transfer of funds from the commercial banks to the Federal Reserve Banks for this purpose would have left the Treasury, after the tax receipts had come in, with a much larger balance at the Reserve Banks than it needed and thus would have unduly reduced bank reserves for an extended period. If commercial banks are faced at tax periods not only with deposit withdrawals to meet tax payments but also with drains on their War Loan Accounts, they would have to follow one of four courses: If they had sufficient excess reserves with the Federal Reserve Banks they could reduce their reserve balances to the extent necessary. If they did not have excess reserves—this normally is the case — they would have to sell sufficient securities to obtain the funds, or they could withdraw correspondent balances, or they could borrow from the Reserve Banks. All of these alternatives would tend to tighten money market condtions at a time when taxpayers would be drawing on their bank accounts to make their tax payments. In other words, if the Treasury could not borrow temporarily from the Federal Reserve Banks by what is in effect an overdraft at these tax payment periods, and in this way avoid withdrawals from its War Loan Accounts to pay off maturing obligations, money conditions would unduly tighten and tend to unstabilize the money market and the Government securities market.

This can be avoided by the temporary overdraft until the tax payments again build up Treasury accounts at the Reserve Banks and provide the Treasury with funds to retire the overdraft. The operation simply stabilizes the market. That is all that happens. The amounts of special certificates to cover overdrafts shown in the table are relatively small compared with the size of the public debt and the recurring maturities. For instance, on June 16, 1942 and for four days thereafter, the Treasury had an overdraft varying from $58 to $94 millions. The largest overdrafts occurred in the middle of March of 1943, when the highest amount borrowed to cover an overdraft was $1,302,-000,000 on March 15. The borrowing was entirely paid off by the end of the month.

As I have indicated, the authority existed for more than 20 years prior to 1935. It is more needed than ever today because of the size of the debt and the refinancing operations. The fact that tax collections are also very large, currently about $40 billions a year, means that quarterly withdrawals from the banking system are going to continue to be heavy, so that it will be desirable to have the overdraft authority to help in stabilizing the money market at tax dates.

One suggestion which has been put forth is that the authority should not be a permanent part of the Government financing machinery. However, the need for it is no more temporary than the large public debt and the fiscal operations involved in it. It was used effectively in the 1920's and will continue to be needed as long as we have a huge public debt. Congress could always repeal the power if the need for it ceased to exist or if Congress felt it was not operating properly. It is better not to place an arbitrary limit of, say, two or three years on the authority than to have to go to the trouble of renewing it periodically.

2. Federal Reserve Bank Branches

The second point of the bill is not, so far as I know, controversial. The limit of $250,000 on the cost of a Federal Reserve Bank branch building was placed in the Federal Reserve Act in 1922 at a time when the System was subjected to a great deal of criticism. Construction costs at that time were such that it was possible to construct buildings needed to house some of the smaller branches at a cost not exceeding $250,000 for the "building proper." In the case of a number of the branches, however, that amount was not adequate, and Congress authorized larger expenditures in accordance with recommendations of the Board. In the light of the greatly increased operations of the Federal Reserve Banks and their 24 branches, and in view of the increased costs of construction, the present limitation is entirely unrealistic. Consequently, most of the branches have had to rent outside space, which in many cases is unsatisfactory and is uneconomical because of the difficulty of carrying on related operations at different locations. In some cases the working conditions are very unsatisfactory.

In accordance with the established policy of the Board, improvements and additions to Federal Reserve Bank and branch buildings have been deferred because of war and postwar conditions resulting from scarcity of materials and labor. It is now necessary, however, in the interest of the efficient conduct of branch operations, which have been greatly expanded to take care of the increased volume of work, partly incident to handling public debt transactions, that a number of branch bank buildings be enlarged and in some cases that new buildings, particularly new or enlarged vault facilities, be constructed. The Federal Reserve Banks would use their own funds for such purposes. No appropriations of Government funds would be needed. It is hardly conceivable that removal of the limitation on the cost of branch buildings would lead to any waste of funds, since all new construction has to be approved by the Board of Governors before it is undertaken.

The construction of branch buildings has to be approved in the first instance by the directors of the branches, and then by the of the parent Federal Reserve Bank. After the boards of directors of both the branch and the parent Bank have approved the construction of a building, the matter then comes before the Board of Governors for approval. The Board considers the proposal in the light of the needs of the branch, the type of building to be constructed, its cost, availability of materials, and whether the construction at the time would be in keeping with governmental policies with respect to building construction. All such expenditures are reported to Congress by the Board of Governors, and if any question arose regarding the Board's policy in this respect it could be promptly reviewed by Congress.

Holdings of Special Short-Term Treasury Certificates by the Federal Reserve Banks, 1942-45
(In millions of dollars)

Date—	Amount
June 16, 1942	$58
June 19, 1942	70
June 20, 1942	47
June 22, 1942	34
June 23, 1942	94
Sept. 15, 1942	342
Sept. 16, 1942	189
Sept. 17, 1942	286
Sept. 18, 1942	76
Sept. 19, 1942	53
Nov. 27, 1942	139
Nov. 28, 1942	329
Nov. 30, 1942	422
Dec. 1, 1942	98
Dec. 10, 1942	16
Dec. 15, 1942	145
Jan. 29, 1943	115
Jan. 30, 1943	202
Mar. 2, 1943	3
Mar. 4, 1943	174
Mar. 5, 1943	354
Mar. 6, 1943	543
Mar. 8, 1943	591
Mar. 9, 1943	648
Mar. 10, 1943	632
Mar. 11, 1943	790
Mar. 13, 1943	1,043
Mar. 15, 1943	1,302
Mar. 16, 1943	1,250
Mar. 17, 1943	981
Mar. 18, 1943	836
Mar. 19, 1943	778
Mar. 20, 1943	768
Mar. 22, 1943	603
Mar. 23, 1943	700
Mar. 24, 1943	512
Mar. 25, 1943	432
Mar. 26, 1943	384
Mar. 27, 1943	304
Mar. 29, 1943	104
Mar. 30, 1943	40
June 15, 1943	805
June 16, 1943	659
June 17, 1943	350
June 18, 1943	256
June 19, 1943	212
Sept. 8, 1943	11
Sept. 9, 1943	126
Sept. 10, 1943	243
Sept. 11, 1943	246
Sept. 13, 1943	214
Sept. 14, 1943	179
Sept. 15, 1943	424
Sept. 16, 1943	258
Mar. 15, 1945	4
Dec. 4, 1945	107
Dec. 5, 1945	318
Dec. 6, 1945	374
Dec. 7, 1945	484
Dec. 8, 1945	484
Dec. 10, 1945	202

Senate to Hold Night Sessions

Chairman Robert A. Taft (R.-Ohio) of the Senate's Republican Policy Committee informed that legislative body on Feb. 24 that, commencing Mar. 10, two night sessions of the Senate will be held each week, running from about 7 to 10 p.m. Senator Taft, according to Washington Associated Press advices Feb. 24, pointed out that the move was necessary to clear up the backlog of legislation awaiting action. The Senate will continue to meet only three days a week, Monday, Wednesday and Friday, in accordance with the Congressional reorganization program, leaving Tuesday, Thursday and part of Saturday for committee work. The added evening sessions are planned for Monday and Wednesday.

Inflation—Let's Look at the Record

(Continued from page 1251)

place those paid off by the Treasury. That plus other bank loans and bond purchases during the year; resulted in the $14 billions increase in the money supply in the hands of the people.

Recently President Sproul of the New York Reserve Bank, referring to the great expansion of the money supply in this country due to the large holdings by our banks of government bonds said that "the commercial banks in large part have the initiative in determining whether or not Reserve Bank credit is to be created or extinguished." In the same speech Mr. Sproul also said, referring to the Federal Reserve control of credit, "we are not the masters in our own house."

It would seem that what Mr. Sproul meant was that the Federal Reserve Board and the Federal Reserve Banks had adopted a policy during the war to which they still adhere with the result that the commercial banks rather than the Federal Reserve Banks could and do determine the extent to which our money supply is increased or decreased. This is because the Federal Reserve during the war announced that it would support the government bond market and would buy from the banks government bonds offered by the banks.

Increasing Bond Purchases by Banks

By this means the commercial banks obtain excess reserves out of which to buy additional government bonds or otherwise expand their credit. This explains why the banks, particularly in Chicago and New York, which for many months have had no reserves — i.e., excess over the reserves which they are required by law to carry against their deposit liability — have nevertheless bought government bonds on the market to replace those paid off by the Treasury or have acquired loans or other bonds.

The banks when they were short of reserves to make loans or buy additional bonds have dumped their short-term governments into the Federal Banks and obtained excess reserves for additional purchases or loans. In the process the bank, by its new purchases, adds to the money supply by the amount thereof.

Critically examining the foregoing statements by Mr. Eccles and Mr. Sproul, it seems clear that in one way or another the banks have increased our money supply by $14 billions through their purchases and loans, notwithstanding the reduction of government debt by more than $20 billions and the apparent attempts of the Federal Reserve authorities to bring about similar reduction in our money supply. These attempts of the Federal Reserve authorities always fell short of the obviously desirable change in their own policy which permits the commercial banks to get for themselves excess reserves from the Federal Reserve Banks merely for the asking.

Mr. Sproul's statements clearly indicate that the Federal Reserve Banks realize that they are obliged to give the banks what they ask for in excess reserves even though the result is to maintain or increase the money supply, and this because the Federal Reserve Board chooses not to use its existing power to change its own policy which is responsible for the situation.

And now comes Mr. Randolph Burgess, Chairman of the Committee on Public Debt Policy set up by the Falk Foundation, who states that the large money supply is "the major economic problem," but adds that "its solution is largely a matter of Government and not bank management."

Some day someone familiar with these mysterious matters is going to make plain the fact that if the banks had not continued to purchase government bonds on the market after the Treasury had excluded them from subscribing to new issues, our money supply today, instead of being $170 billions, would be $120 billions. As Mr. Sproul has put it, the banks have taken the initiative not only in buying government bonds on the market but also in going to the Federal Reserve to obtain funds when they had no other funds to make such purchases. "Bank management" must take some responsibility for this very large contribution to the increase in our money supply.

Use Surplus to Reduce Bank Bond Holdings

The remedy for all this from an economic and financial point of view is simple, but from a political point of view, is difficult. We should promptly balance our budget, produce an excess of income over expenditure and use the surplus to take the government bonds out of the banks. We should aim at a surplus of $5 billions annually for this purpose. At the same time the Treasury should sell long-term government bonds to non-bank investors and use the proceeds for further reduction in government bonds held by the banks. We should aim annually at another $5 billions of refinancing of our existing short-term government debt.

Then the Federal Reserve authorities should have the stamina to change their existing policies so that the banks will not be able to thwart these efforts to reduce the money supply to normal by expanding bank deposits for the sole purpose of buying bonds of any type on the market to add to the banks' portifolio and earnings.

Black Market Trend in Gold, Dollars

(Continued from first page)

Switzerland while depreciating in the former belligerent countries lies in the fact that the Swiss franc has depreciated in the latter countries to an even larger degree than the dollar and pound notes. For the Swiss franc was, and still is, the hardest of all hard currencies. Having stood the highest, it has lost more ground than other hard or comparatively hard currencies. The same is true concerning gold coins, the premium on which suffered a particularly heavy reverse.

Causes of Downward Trend

The explanation of the reversal of the black market trend of hard currencies to harden further lies in the combined effect of a number of independent factors. It is difficult to assess their relative importance, but the most obvious among them has ben the unexpectedly pronounced success of M. Blum's price-cutting experiment towards the end of last year. The satisfactory response to the French Government's measures has made the black market realize that, after all, the depreciation of weak currencies can be reversed. After years of almost continuous rise in black market prices of every description, there was a sharp fall. This fact induced many holders of gold and foreign notes to take their profit.

Curiously enough, the reaction did not confine itself to France. It produced a Europe-wide effect, in spite of the absence of arbitrage in the proper sense of the term. Hitherto the black markets in various continental countries appeared to be largely independent of each other. There were very wide discrepancies between the quotations of various black market rates. This was because of the restrictions on the import and export of gold and notes in every country. These restrictions are, of course, evaded by many people. Nevertheless, owing to the difficulty and risk attached to their evasion, abnormal discrepancies can exist for a very long time.

On the present occasion, however, the black market quotations moved in sympathy in various countries to a remarkable degree. Even though there were considerable differences between the extent of the depreciation of the various prices in the different markets, the international character of the trend was unmistakable. There were, admittedly, several factors which operated in more than one country. Several Central Banks adopted the policy of selling gold in the open markets. In at least two countries, in Belgium and in France, the monetary authorities embarked on a moderate policy of credit restriction. As a result, increasing productive activity and growing stocks of raw materials and finished goods had to be financed through the liquidation of hoards of gold or foreign notes.

Psychological Factors

The main reason for the sympathetic movements of black market prices of gold and foreign notes was not, however, the identity of factors at work, nor the existence of a certain amount of arbitrage. It was the operation of the psychological factor that is all-important in markets as sensitive as black markets invariably are. Waves of optimism or pessimism regarding the prospects of black market quotations are admittedly often purely local. In many instances, however, they are decidedly international. The feeling that the discounting of future depreciation of the local currencies has been overdone did not remain confined to particular countries. Even though economic and political prospects which ultimately determine the value of their currencies differ widely from country to country, the sentimental factor is often largely identical in many countries. Waves of optimism or pessimism about the prospects of political rapproachement between the rival powers, or about the prospects of economic reconstruction are apt to sweep across entire continents, and at times even the entire civilized world. Even though it would be difficult to define the wave or waves of optimism which have been responsible for the setback in gold and hard currencies, there can be little doubt that the lessening of the tension with Soviet Russia and the evidence of an all-round increase of production in Europe have contributed towards the change in the trend.

It is beyond doubt gratifying from the point of view of the soft currency countries that the abnormal discrepancies between official and unofficial rates should thus contract. But even the hard currency countries should feel relieved if the unofficial premium on their notes, complimentary as it is from a point of view of prestige, should disappear. For, after all, return to less abnormal currency conditions would be beneficial to all.

The Fund Opens Shop

(Continued from page 1249)

forth be more dubious of requests for aid.

Fund officials insist they will not knowingly agree to the Fund's supplying long-term help in the guise of short-term loans of foreign exchange. That, at least, is the theory. It was printed in big letters on the outside of the Bretton Woods "package" to which the Congress put its okay.

There seems to be no disposition on the part of those most influential in shaping Fund decisions to belie that promise. If anything, there is anxious alertness lest the Fund be unwittingly brought to premature grief by mistaking for a passing economic discomfort what is really a member country's chronic balance-of-payments disease. The Fund is intended to handle problems related to occasional crop failures, or seasonal shortages of foreign exchange. But how can it segregate these temporary situations from long-term trends in a country which has embarked on a five or ten-year program of industrialization, for example? Such a country during the whole of such period, while it is importing foreign capital goods, is likely to be short of foreign exchange. It is the sum total of its foreign-exchange resources with which a country works. Pour a cup of water into a pot of water and they are both one. But if you pour a cup of water into a hot and always empty pot on the stove, you cannot expect that later on another cup of evaporated water will of itself again condense in the hot kettle.

So with the Fund's loans to members engaged in large long-term projects, there is great risk that "short-term" may turn out to be "long-term." Although Fund members do not all view the Fund from the creditor's viewpoint, there is reason to suppose that the most influential factors in Fund policy, including Mr. Camille Gutt and the American executive director, want the Fund to have a long and useful life.

Several Countries Without Par Value

It will be recalled that several countries have not yet communicated to the Fund a par value. To such countries, therefore, the Fund is not yet obliged to extend credit. For the Fund to have to give US dollars for Chinese yuan, today, might turn out to be pouring money down a gopher hole, notwithstanding the obligation of members to the Fund. In the cases of such countries as China, Greece, Poland and Yugoslavia—to name the more conspicuous ones—the Fund is for the present spared this risk for the reason mentioned.

Fund Awaiting Bank

The fact that the World Bank has been so slow in getting started certainly is a matter of real concern to the Fund. It means that the outside world's supply of dollars is smaller than it would have been otherwise, and that the Fund will have a harder time distinguishing between members' long-term and short-term credit needs. At the same time, for certain members like France which have declared par values and which might want the Fund's aid in maintaining them, but which have also applied for World Bank loans, the delay in the World Bank's getting started means a delay in those members asking the Fund for assistance. The Fund will want them to wait until it sees what the Bank is doing for them.

The fear that the pound sterling may not, as called for in the American loan agreement, be made convertible next July is regrettable from the Fund's standpoint. The Bretton Woods agreement of course envisaged a transition period of at least five years during which Fund members having controls on current exchange transactions would try to get rid of them. In adding, through the British loan, $3¾ billions to the world's stock of dollar exchange, the United States sought to shorten the transition period for the world's most influential non-American currency. If that hope goes by the board, the period of exchange controls certainly will be prolonged.

India has advised the Fund that it is availing itself of the transition privileges of the Fund articles of agreement. So are nearly all the other member countries. Only the USA and a few nearby Latin American countries have freely-convertible currencies as the Fund opens its doors.

Apart from the reasons mentioned above for not expecting a rush of foreign-exchange business at the Fund in its early months is the fact that the Fund has quietly but seriously urged likely borrower members not to press their rights under the articles of agreement at this stage, lest the Fund be prematurely threathened with depletion. This policy has the backing of the NAC, which does not want to see the Bretton Woods program avoidably weakened; and it has the support of top officials in the Fund, whose reputations and whose jobs are linked with the Fund's fate.

Possible Repetition of U. S.-British Loan Experience

Were all members of the Fund to exercise freely the rights to automatic Fund credits, within the prescribed limits, one might see develop on an international scale what has happened to date in the drawing down of the American loan to the UK for such consumer-goods purchases as tobacco and films. That is to say, the Fund would soon commence to pay the price for decision last year to accept as the initial parities those the members themselves suggested. While this policy had the support in the Fund of the American executive director, Harry White, who in the NAC as well argued most persuasively for that decision, the result has been that currencies like the French franc, the Dutch guilder, and—some think—the Belgian franc, are today to various extents overvalued, posing the Fund with the possibility of having to support them at untenable levels. Sooner or later, it is being said, the French franc must again be revalued. So some observers criticize the Fund for having deferred last autumn to French political considerations rather than to economics, giving its tacit support to an unreality. In effect, they describe the Fund as lacking in moral fibre.

The Fund, of course, has its own defense for its parities policy. It admits that the present parities are not all tenable, but says it had no way of knowing what would be a tenable parity for a given currency (like the French franc). This, however, is small comfort to the World Bank, now considering a large loan to France. To the Bank, currency stability is a prime desideratum and instability an unwelcome added risk. Were the Fund to request the Bank to set, as one of its conditions for a loan to France, the requirement that the franc be devalued now, both the Bank and the Fund would be on solider ground in their operations with France.

A corollary to a firm Fund policy at the outset would be constant alertness to any developing balance of payments weaknesses of member countries and insistence, without regard to political considerations, that the members concerned take the steps to rectify those disequilibria without asking the Fund instead to bear the burden. All this, it will be recalled, was during the evolution of the Bretton Woods program described as a fundamental tenet of the Fund. The executive directors are now being watched to see how literally that principle is implemented.

Were it not for the $4.4 billions of aid the United States extended to Britain last year, the Fund would have faced more difficult decisions than it did when it announced the initial par values of member currencies in December. Should Britain later require additional substantial support of its balance of payments, and should this for any reason not be forthcoming from the Congress, the Fund will face a bigger arithmetic problem than the valuation of the franc.

Not in Prime Working Order

Formal "commencement of operations," it should be noted, does not mean that the Fund is really in prime working order. True, it has organized a staff of 266 persons, from economists to messengers. Its staff, including 45 professional reasearchers has drawn heavily on the US, and on other countries from England to Iceland and El Salvador. But the Fund is not equipped with all the information it needs. It is in this respect not nearly as well equipped as any of several US Government departments and agencies. The Fund hopes ultimately to be able to tell some of its members more about their economic state of health than the member itself can tell from the data in its possesion. The Fund will be the world's monetary clinic. But at present data in very many cases is quite inadequate. The fact that the American executive director often is better supplied with facts about the Fund's members than the Fund itself is, added to the large vote which he wields in the Fund, makes him probably the most influential force in the Fund's inner sanctum.

In view of the impression abroad that, in the World Bank under Eugene Meyer's presidency, for one reason or another, the president and the U. S. executive director, Collado, did not reach a meeting of minds and that therefore the power of the Bank's president had to be strengthened, it should be stated that no evidence of any similar discord between the Fund's managing director, Mr. Gutt, and the U. S. executive director, Harry White, has been disclosed. There seems to be an understanding that White not appear in the public view. All public relations of the Fund are handled by Gutt. This does not mean that White has any the less influence in the Fund. A somewhat controversial figure in the evolution of the BW program until last May, White now reportedly gets along well with Mr. Gutt and his colleagues, and even with Mr. Morgenthau's successor at the Treasury, a matter which has occasioned some surprise in NAC circles.

Closer Contacts

Fund officials realize the need for closer contacts with member governments and central banks. There already has been a good deal of traveling by executive directors—and Mr. Gutt plans another trip to Europe in March—but there will be much more as time passes. Staff members, also, will accompany the directors, to benefit by face-to-face discussions with members' officials. Reports from abroad indicate that some of the latter are giving much thought to the extent to which they can count on their Fund rights.

In accordance with the articles of agreement of the Fund, depositaries have been established at New York (Federal Reserve Bank), London, Shanghai, Paris and Bombay. Members may use whichever they prefer, under certain conditions. The Fund hopes to keep gold movements to a minimum, to save expense.

Soon after March 1 the Fund is expected to announce the list of members which have exercised their transition-period rights.

An early problem facing the Fund is to help members get rid of multiple currencies such as exist in various Latin American countries, Iran, etc.

Better Information Needed

Until the Fund has better information at its disposal, it will be handicapped in determining the best policies. This is one reason the Fund could not question the proposed parities last year. Because a member did not last year elect to postpone declaration of its parity it does not follow that its currency is in a sound position. The Fund needs all the information it can get.

One of the Fund's purposes is to help abate bilateralism in world trade. As the Fund opens its doors, it looks upon a world in which trade bilateralism is more pronounced than it was before the war, in which the efforts to set up the ITO at Geneva are beclouded by high-tariff advocates here, and in which there has been a most disturbing deterioration of international relations since Secretary Morgenthau raised the ante by $300,000,000 and the mysterious Russians signed the Bretton Woods agreements in 1944.

As it begins its task the Fund has this country's best wishes,—and our $2,750,000,000. If the Fund accomplishes everything that the women's clubs thought it would accomplish when they brought pressure on their Congressmen and Senators to vote for it, this new international body will do wonders.

Britain's Use of U. S. Loan

(Continued from page 1250)

year are unduly pessimistic, it is now widely expected that the last dollar will have been spent long before the end of 1948 even if no part of the proceeds will be ceded to other countries in connection with agreements on the funding of Sterling balances. British opinion is gravely preoccupied by the situation that will then arise. Owing to the setback caused by the fuel shortage, few people would dare to believe that Britain's reconstruction period would be completed by next year, or that the trade balance in relation to hard currency countries would achieve anything like equilibrium by then.

It is feared that, once the proceeds of the loan are exhausted, there would inevitably follow a sharp decline in the standard of living, owing to the necessity for curtailing even essential imports. The possibility of further cuts in food rations, and of unemployment through shortage of imported raw materials is beginning to be envisaged.

Notwithstanding this, dollars continue to be spent on what can hardly be regarded as primary necessities. Recently published figures disclosed the fact that Britain spent much more on tobacco than on food in the United States last year, and that American films have also absorbed a remarkably large proportion of the proceeds of the loan. Much of the oil imported from the United States has been for the use of private motorists whose rations seem to enable them to block the streets of London to the same extent as before the war when petrol was not rationed.

The Government has been subject for some criticism lately for having failed to reserve its inadequate dollar resources for the purchase of essential foods, raw materials and industrial equipment. It is widely felt in Opposition circles that the Government's policy in the allocation of dollars aims at achieving popularity by satisfying the increased craving for tobacco and by meeting the strong demand for American films. The habit of smoking has increased considerably since the war, and a Government which would not cater to it would incur much unpopularity. It is true, the inadequacy of food rations is also highly unpopular, but the Government is in a position to blame the world-wide food shortage for it, while the volume of tobacco imports is evidently a matter of dollars. So long as there are dollars available, there is strong temptation for the Government to use them for buying popularity by satisfying the requirements of millions of smokers.

As for film imports, their large size is sought to be justified by the argument that any restrictions would lead to retaliation in the form of restricting the import of British films into the United States. Since during the last year or so British films have undoubtedly been gaining grounds in the United States, the Government is reluctant to take any steps that would interefere with their prospects.

It is difficult to see in such circumstances how the Government will check the expenditure of dollars in the near future. Nothing short of a nearly complete exhaustion of all dollar resources is likely to induce the Government to face the unpopularity of cutting down the import of tobacco and films.

Possibly under the influence of the present fuel crisis the outlook of the British trade balance this year and next is viewed with undue pessimism. Even allowing for this, there can be little doubt that before very long Britain will be forced by the depletion of its dollar resources to balance its trade with hard currency countries by every possible means. The right to do so with the aid of quantitative discrimination is expected to be defended to the utmost at the Geneva International Trade Conference in April.

San Fran. Clearing House Elects

The San Francisco Clearing House Association elected the following Officers at the Annual Meeting held on Feb. 11: President, James K. Lochead President, American Trust Company; Vice-President, Carl F. Wente, Senior Vice-President, Bank of America N. T. & S. A; Secretary, Earle H. Lemasters, Vice-President, Pacific National Bank of San Francisco.

The following were elected as members of the Clearing House Committee: James K. Lochead (Ex-officio); Carl F. Wente (Ex-officio); A. A. Calkins, President, The Anglo California National Bank of S. F.; I. W. Hellman, President, Wells Fargo Bank & Union Trust Co.; J. J. Hunter, President, The Bank of California, N. A.; J. F. Sullivan, Jr., Vice-President, Crocker First National Bank of S. F.

The Manager of the San Francisco Clearing House is Russell W. Schumacher and the Assistant Manager is Howard H. Huxtable.

Mackenzie Co. Formed

SALT LAKE CITY, UTAH — Mackenzie Co., 19 West South Temple Street, has been formed by William A. Mackenzie, formerly a partner in Theobald & Mackenzie.

Outworn Diplomacy Must Be Abandoned!

(Continued from page 1247)

ternational affairs. In fact, I am going to go further and invite you and the men and women around the globe to join in a sort of popular international meddling society. The technique of disseminating fact and opinion world-wide with the speed of light is one art which has kept pace with the technology of bombs. Truthfully wielded, the pen is still mightier than the sword.

The common man who blazes like a comet across no pages in history has always thought straighter on war than the men who wear the epaulettes and strut through council halls. Man has realized in all humility that it is his ingrained selfishness, as normal as his instinct of self-preservation, which has made law necessary if he is to live with his neighbor.

Force Only Authority

Beyond national boundaries, however, there has been no progress. The only authority remains force, the only jurisdiction—diplomacy with its trained and paid personnel to make things seem different from what they are. So skillful have these professionals become that any act can be justified and made to appear benevolent, each to his own people.

We were no less impelled to cry that we had been attacked throughout the centuries of our expansion—from Jamestown to Havana—than was brutal Hitler.

If the area of lawlessness beyond national boundaries is no longer endurable, if old patterns are to go, we must stop kidding ourselves.

An atomic treaty accomplishes nothing with armies facing each other in Europe, for the moment they clash the treaty expires.

If there is no worthwhile defense any more, as our General Staff has informed us, then there can be no worthwhile armament. To store up atomic pills to checkmate a dictator, who may die tonight, is like preparing to dose the "flu" with arsenic or to destroy a city to apprehend a murderer.

How can we in good conscience call for the outlawing of the atomic weapon as a crime against humanity when in the name only of expediency we used it on residential cities without warning?

What an opportunity for future peace we threw away by not setting the first example in restraint! What a towering obstacle we put in the way of atomic control when we released its cataclysmic force into a moral vacuum.

Armies in Strategic Vacuum

We have vast armies poised in a strategic vacuum; criminals, by our own law, if they advance, and suckers—for ever having fought to get there—if they withdraw. Our rivals can sardonically try our patience, on the chance that the burden and heart-break of continued occupation will in the end enable them to communize us peacefully. Checkmated in that they can choose the time, the place and the weapons—the odds favoring the aggressor. Our only satisfaction will be that the losers will be hanged.

Let us consider the possibilities that immediately face us!

(1) Traditional advantage-seeking diplomacy.

(2) World domination by either America or Russia.

(3) The establishment of enforceable world law.

The first offers a threat to, not a hope for, peace. It is, unhappily, the course America is pursuing; the one at which Britain has failed, dogged and resourceful though she is, buttressed as she has been by the most accomplished diplomats the world has ever seen. Under it the United Nations seems to have become no more effective than a salon, and thus threatens to become the epitaph of civilization.

Since man first flattered himself that he was civilized, each new war has created its new council and each new council its new war. Their chief purpose seems to have been to reduce the travel of the diplomats and facilitate their new alignments. Any real hope that UN would differ from its monotonous series of predecessors faded when we started making favored loans and exerting furtive pressures.

The more we bribe and coerce, the more Russia will scheme and threaten. In the world of diplomacy, war is perpetual, armed conflict the diplomat's vacation period. Here in this latest international no-man's land the four freedoms are to bribe, to coerce, to veto and to withdraw.

No Hope in UN

No, I can see no hope in UN with its members concealing or announcing separate deals. Like the Atlantic Charter and San Francisco, these festivals are of sounding brass, a tinkling cymbal, to soothe the ears and cover up the next move—be it of tariff, embargo, loan or task force.

As for the second possibility—world domination by either America or Russia—this means war. If this is to be our solution, our chance to cash in on a huge investment in men and equipment is rapidly slipping through our fingers. I do not recommend it, for we cannot afford a third war to end war.

Our fathers intended that we should lead Europe out of its wilderness, if at all, by friendly influence and example, not by force; that we, not Sweden or Switzerland, should always be the green isle in a sea of trouble. In those two states, one democratic, the other socialistic, shut in and poor in resources, the standard of living has already surpassed ours; lands of milk and honey and cream and beef. They have proven that if one attends to the milking, and does not go out with diplomats, a fairy prince does come along.

A moral regeneration—American led—sounds grandiloquent. But is that not the very role America has always professed, seldom adhered to? Why shouldn't we insist upon transforming UN from a labyrinth of out-dated diplomacy into a court having the power to make decisions and enforce them? If Russia should refuse to go along with a court strengthened along these lines, then there is a reason and it behooves us to find out that reason and remove it.

Proposes UN Amendments

I can think of no better way of doing this than to propose specific amendments to the UN Charter:

(1) To accomplish general and universal disarmament;

(2) To create a court of world inspection and enforcement to prevent rearmament—*even by UN*—beyond the minimum needs of inspection and enforcement; and

(3) To deprive member states of the power or right to secede so long as UN jurisdiction, inspection, and enforcement, are clearly limited to the needs of national security.

If we make these proposals in an atmosphere reminiscent of Fulton, Missouri, then Russia would rightly regard the amendments as the legalizing procedure for a coalition against her. If on the other hand, we made it abundantly clear that the amendments were being made in good faith and that we were sincerely anxious to lay a foundation for world security in which all nations would share, then if Russia withdrew the rest of the world could be governed accordingly.

It is important to know where we stand immediately.

American leadership in strengthening UN is more than an opportunity; it is an obligation—born out of our two invasions of Europe.

Assumption of the hot seat of the British Empire, reliance upon atomic supremacy, balance of power, subsidies and intimidation, besides being costly, hazards one day being weakest, or being regarded so.

Integrity and Common Sense

This brings us back to the third and sole rational possibility; simply, the application of integrity and common sense. Law *between* nations can be achieved just as it has *within* nations. We need give up no more sovereignty than I do when I stop my car for someone to cross the road.

The popular place to start is disarmament but the vigilantes did not lay down their guns until law was first established. Law within nations evolved slowly. It began with the simplest guarantees of property and persons. When it over-reached itself, the tribe rebelled. It follows, then, that I am not advocating international law which might infringe upon property rights either as nations or individuals. When we yield to the law, domestically, we not only reserve but strengthen, our property rights, under the Constitution.

That great principle of jurisprudence that a man shall be judged only by his peers, can be applied in principle to international problems of security. It has served throughout the centuries to give the accused, or threatened, a security if he is innocent, and a just penalty if he is guilty, which has proven unimpeachable. The detail of the method of selection of such a jury is only detail if each nation approaches it seeking justice, *not advantage.*

If world opinion will make it crystal clear that next time the winners as well as the losers will be judged by such a pre-established neutral court, non-packable and uncoercible, a further long step toward world security will have been taken. For even if some power-mad aggressor should resort to war to obtain world conquest, he would know that the common man, even if only one were left, would carry out the court's verdict.

There is nothing in anything which I have said which advocates abandoning Britain, withdrawing prematurely from Europe, or appeasing Russia; nothing difficult or impossible; nothing remotely approaching the agonies of war. All I am trying to say is STOP KIDDING OURSELVES. Peace, like love, is not a unilateral arrangement. Neither can ever be attained by one who thinks only of himself.

Unless the common man seeks world empire and is prepared to move immediately, pay the price and run the risk, our only hope is for him, through you newsmen in my audience and around the world, to insist upon a complete reorientation of foreign policy toward influence and example instead of secret diplomacy and force.

T. A. Hellwig, Jr. With Fahnestock & Co.

Theodore A. Hellwig, Jr., Lieutenant Commander, U.S.N.R., formerly vice president of Investors Counsel Incorporated, has become associated with Fahnestock & Co., 65 Broadway, members of the New York Stock Exchange, after four years of active duty in the naval aviation branch of the service.

Gov. Draper Defends Tobey Bill

(Continued from page 1251)

had the power to enter into 'take-out' arrangements with financing institutions on a severely limited type of loan, and notwithstanding the limitations, use of this power has been helpful and advantageous in many cases. In past business depressions, banks have been compelled to contract their business financing activities. Even in prosperous times banks have sometimes been obliged to decline accommodation for customers either because the bank was not equipped to provide the type of financing sought, or because the risks of the proposed loan seemed greater to the bank's officers than could properly be assumed unassisted. These instances have been particularly numerous in the case of small business. The bill would make the assistance of the Federal Reserve Banks available for underwriting individual business loans on a partial basis, but only if requested by the lending bank. It would thus help to assure an adequate and continuous flow of private credit to business, and especially to small enterprise.

"Federal Reserve Bank commitments to share with financial institutions the risks of business lending would be subject to appropriate limitations under the bill. No loan guaranteed would have a maturity of more than ten years. Each lending institution would need to assume at least one-tenth of the risk on individual loans and in most cases would carry a much larger fraction of the risk. Banks would pay a fee for the partial guarantee. As the fee would increase with the percentage of the loan guaranteed, there would always be an incentive for the lending bank to assume as much of the risk as possible. The aggregate amount of all guarantees and commitments could not exceed the combined surplus of the Reserve Banks.

"It is recognized," continued Governor Draper, "that business and credit conditions at present and at other times may not be such as to require extensive use of the guarantee authority which the Reserve Banks would have under this bill. However, a stand-by authority to underwrite loans should be a part of the Federal Reserve law in order that it may be promptly available in periods when the need may be greater. The Reserve Banks are especially qualified by experience and function to provide this continuing underwriting servce to banks and other lending institutions, and, because of their responsibilities for maintaining sound credit conditions regionally, would coordinate their activities in this field with other credit policies.

"Rather than being 'a first step down the slippery incline which leads to government ownership,' the bill would effectively block this path. The bill does not place the Reserve Banks in competition with the private banking system. Loans underwritten would be made by local banks dealing with local people whom they know and with whose character, capability and capacity they would be familiar. Furthermore, no bank would be required to have any particular loan guaranteed; however, it would have access to guarantee or underwriting accommodation as desired at the regional Reserve Bank with which it has close contacts and which is fully acquainted with local business problems. This accommodation would be promptly available without referring the matter to any governmental agency in Washington for approval. Since the Reserve Banks, which are permanent institutions, would use their own funds for providing this service to banks, no public funds would be needed to finance the loan guarantees.

"The Boards of Directors of the Reserve Banks, which would make the loan guarantees, are comprised of three bankers and three businessmen elected by member banks, as well as by three other residents of the district appointed by the Board of Governors of the Federal Reserve System. These directors are in a position to safeguard the administration of the law against undue interference with the proper activities of local private banks.

"Since 1934, the Federal Reserve Banks have had authority under Section 13b of the Federal Reserve Act to make direct loans to business and to guarantee loans by the financial institutions up to 80%. The existing authority, however, is subject to restrictive provisions which impair the capacity of the Reserve Banks to lend the assistance which it is believed the Act was intended to provide. The proposed bill would terminate direct lending to business by the Reserve Banks and remove certain impairing restrictive conditions on loan guarantees. It would further cancel original appropriations of Treasury funds to finance Reserve Bank industrial loan operations and thus release $139,000,000 for other governmental purposes," Mr. Draper observed.

Concerning the point that the problem of financing small business is less one of commercial bank loans than of equity capital, experience shows that it is both, the Governor said. "The pending bill is directed exclusively to the loan aspect of the problem, and toward making loan proceeds available in adequate volume not only for working capital purposes but as well for any proper business purpose, short or longer-term. Longer-term loans are types that small businesses need most and that commercial banks are most hesitant to make without some safeguards. A complete solution of the financing problem of small business, as you point out, may require in addition the establishment of a system of cooperative regional institutions to aid in raising equity capital for small enterprises. It may also need adjustment in tax policy to provide a greater opportunity for such businesses to accumulate equity capital through the retention of earnings. Passage of the bill would not preclude Congressional action on these phases of the problem.

"During the 'thirties under Section 13b of the Federal Reserve Act and during the war under the V loan program for guaranteeing war production and contract termination loans, the Federal Reserve Banks gained valuable experience in helping private banking to supply financial assistance to business enterprises. The bill provides for the further application of this experience to problems of peacetime. It employs established agencies for carrying out its purposes and applies tested banking principles. If the economy is to attain the goal of sustained high levels of productive activity and employment, we will need to provide our private banking system with adequate authority to adjust promptly to changing financial needs of business."

Charles Boigegrain With Chapin & Co., Detroit

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Charles J. Boigegrain has become associated with Chapin & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Boigegrain was previously with Keane & Co., and Straus Securities Co.

Will There Be a Recession in 1947?

(Continued from page 1246)

business profits would not be as large as they had been.

Analyzing those three fears, I reached these conclusions.

Is War Imminent?

But first let me say that quite honestly I cannot be regarded as a friend of the Soviet Union. I have had the opportunity within the last year and a half to spend a fairly considerable time in projects involving administration of enemy-held territory in Europe, and then last spring to prepare in Japan for General MacArthur a plan for fiscal economic reconstruction of the Japanese Islands. Both in Europe and in Asia I found not the slightest reason to develop a warmer friendship for the Soviet Union than I had before—and honestly I had little before.

I have gratitude for the fact that we found ourselves on the same side during a critical war, and I do not delude myself that it was either the generosity of the American people or of the Russian people that brought that fact about. It was historic circumstance stronger than the will of either people or their governments. I have a personal preoccupation with freedom which led to an obsession where Germany was concerned in the 'thirties, and quite honestly leads me to a somewhat similar obsession where the Soviet Union is concerned.

I won't belabor the point. I have made it merely to demonstrate one fact: that what I have to say on the question of war with the Soviet Union does not follow from a background of fellow-traveling. I have no such background. But last fall and today, I regard fear of war with the Soviet Union in any near or foreseeable future as absolute fantasy.

I want myself to be understood; because most businessmen—and most people—concern themselves with small pieces of history when they raise their questions such as the title of the talk, "Will there be recession in 1947?" We chop off a small piece of history and confine our scrutiny to it.

As sanguine as I am of peace with the Soviet Union in the near future, equally hopeless am I about the proposition that we have eliminated war in our international society.

So I offer you no permanent guarantee of peace. But the first of the three reasons for the expectation of recession in 1947 was in my view a completely foolish one. In economic terms, as a matter of fact, it was even more foolish, because the threat of war has never produced recession in any country I know of. Quite the contrary, our society contains painful paradoxes, one of which is that the threat of war is quite stimulating, economically, as we have had occasion to observe.

The Labor Outlook

Now for the second reason: the fear of widespread and contagious and paralyzing strikes. I did not, last fall, nor early this year, believe in the prospect of a repetition of the labor strife of 1946, and thus far current history has borne out my expectation. I had a number of reasons for feeling so, which I will not now outline because my feeling is beginning to change, and I will come to the reasons for that beginning of change.

Profits

And now the third: the fear that profits in 1947 would not be as great as they had been. Well, it is a curious fear, because the certainty was and is that 1947 profits will exceed the highest pre-war peacetime year America ever had. In other words, no matter what happens from this point on, that fact will still be true, and if it is, how do we explain the contagion of gloom?

And now, I think, we begin to get down to the fundamentals. For a number of years we in the business community have been certain that there was something in the nature of an irrevocable conflict between what is loosely called the New Deal—government intervention—and business operation. And it takes no deep insight to point out that what was loosely called the New Deal no longer exists; and that those businessmen who have asked for an environment in which business could proceed have by and large had their requests granted and will continue to have their requests granted even further.

Yet now there is actually no group in this country that has as little basic confidence in the business structure as businessmen. There is no group in this country as obsessed with the effect of depression, and privately sure of the inevitability of its coming, as the business community. And so the slightest ill wind produces within us, and in exaggerated form, the certainty of our own destruction.

For five years of the war we made many promises. Business groups such as the Committee for Economic Development were, for a brief period of time, promising that the business community could produce continuous full employment. Well, our promises remained to embarrass us, because as a matter of realistic fact the business community cannot guarantee continuous full employment. And we are in the dilemma of the wage earner who has, in successive years, had his income increased, and then finds that no matter what his original ambitions were and no matter how much higher he exceeds his original aspirations, it is almost impossible for him to sink below his highest point.

He was, with some modesty, able to get along at four thousand a year; for a brief interval of time he found six thousand comfortable; at eight thousand he was almost wealthy; and at ten thousand his needs were fully taken care of. And yet he cannot be reduced to eight thousand without personal agony; because there is no two-way road in the expansion of either the individual or the business institution.

Once again businessmen with a great deal more foresight than frankness have been the first to recognize the basic problem—whether the peak of activity and of industrial expansion achieved during war can be continuously sustained by private demand during peace. And actually more than that is required; because in our country and in our kind of economy if there is to be high employment continuously we must constantly expand. Even the same rate of activity, producing full employment in one year, will leave a residue of nearly a half million unemployed the next year, if only for reasons of expansion of population.

If these were the sole factors I would still say that the prospect of recession in 1947 is absurd, and for these reasons: because we have not exhausted our capacity to consume; because the backlog of savings, even maldistributed as they are, is still large; because shortage still dominates many areas of activity; because the demands of a world hungry for goods and the even limited willingness of the United States to supply those goods on credits that will not be repaid is still a substantial portion of our national income.

And now another fact: All the New Deal ever insisted, fundamentally, was that in time of slack the government make up by public spending the quantity which was left slack by business. I know many New Dealers. And I can tell you this privately: that I have never known a New Dealer who ever contemplated that our government would spend as much money in pump-priming as our government is today spending and will continue to spend for every last month of 1947.

Armament Pump-Priming

The New Dealer would not choose military expenditure as his kind of pump-priming, but will readily admit that its stimulating economic effect is almost identical. And even with an apparently trimmed budget, trimmed to some $33 billion—and I want to emphasize "apparently," because I would privately wager it will be exceeded before the end of 1947—a budget of $33 billion pumped by the Federal Government into private channels is more than enough to weather even the exaggerated fears of the business community, when coupled with the, in many ways, outrageous demand that still exists.

When a new automobile can still sell for anywhere from two hundred to twelve hundred dollars more than its list price, we are not on the verge of failure of demand.

But now I come up to the problems of recent weeks. Up to now this has been a pessimist giving you an undiluted speech of optimism for 1947; and I have done so for some six months now. But this is my first public turn, and a rather private one. This is the first time in many months I have had occasion to say words of pessimism, because for the first time now they exist, and the reasons are three.

There is a serious probability of financial crisis in England, and there is a deadly characteristic of the world of today. The isolationist, the nationalist, the conservationist, and the economy-minded conservative cannot deny this characteristic: whatever happens in England is likely to be a more serious blow to our economic activity than any one of the factors we have been playing with mentally for the last six months. And the crisis in England cannot be exaggerated.

You have seen the first public repercussion in Greece. And keep this in mind: Even a Labor Government, perhaps particularly a Labor Government England, does not pull out in the face of the Soviet Union if it has any other alternative.

May I give England one compliment in a period of history in which I believe she is badly in need of some. I think the English Government knows the character of the Soviet problem a great deal better than we do. Here's a rule for operation in international or domestic activity: If you want to fight the communist, select the socialist to be your advance guard; because he knows the character of his enemy and his operation, and the conservative doesn't.

Once again, I am not one to minimize the communist problem in this country, but let me tell you this: that 98% of the stuff that is written in the American press on the communist problem is rubbish, because we are aware of the problem for precisely the wrong reasons, and we have exaggerated exactly the wrong things; and the conservative press in this country can be thanked for giving the Communist Party the strength it has today in this country—with only one exception: the Dies Committee is worth a lifetime's fortune to the Communist Party in America.

Having given my compliment to the British Government, let me return to the problem.

It didn't take much foresight during the war to realize that the British Empire was through; and if you want to just take a brief glance at the magnitude of that word "through," take a look at these:

There are 400 million people in India, which the British Empire has let go.

With Greece, may go the Mediterranean.

In Palestine the British Government has confessed failure—and turning the problem to the UN is failure for Empire.

Australia is out of the British Empire; it is in the American Empire.

The Orient, in Empire terms, is dead. And in Indonesia the British were fighting a last stand for the Dutch Empire, not the British.

We in America have a facile and incredible way of telling how to solve problems when others are responsible for their administration. But others will not be responsible for their solution long, and a political and economic vacuum in the world of the greatest magnitude the world has ever seen is likely to open up within the next 18 months. There are no political vacuums that remain empty for any period of time.

England's Crisis

And so my first reason for concern, the first danger sign, the first threat of real trouble, is financial crisis in England.

The second reason for concern: the fact that commodity prices in the last two weeks have hit their all-time high. And I have these reasons for concern: because precisely at the same moment that these prices have broken through their previous ceilings, precisely at that time there is a lessening of department-store sales throughout the country, there is increased consumer resistance, straight across the board.

And now to the third factor, which may yet prove pivotal. As prices continue up, a very substantial segment of consumer purchasing power has been going down. And the fact of the absence of strikes solves no problem in that direction—may, as a matter of fact, in long-range terms produce a problem. Because on the basis of rough justice, a strike at least holds out the possibility that wage income can still remain in some even keel with price. But labor has been chastened well, and the strikes have not occurred, and the gap is growing and may grow larger. And there it takes only the most modest knowledge of our society to anticipate what must ultimately occur. Prices cannot incline while wages drop, without finding yourself at a point at which the demand for the goods produced no longer exists. Which returns me to the original fear the business man has had, the one he hasn't stated, the one in back of his mind.

Summary and Conclusions

If I may sum up: I would like to say a few things that I had occasion to say in the course of writing "The Rest of Your Life." I don't know by what process we delude ourselves, but we do. I don't know by what process we have assumed that the war solved any of the problems which existed before the war, but it is surprising how many people instinctively believe that has been the case. The fact is the war not only solved none of the problems which existed before, but magnified all of them, all of the distortions in our internal life and in international life.

And one of the things we have now ignored for quite a while is the truism in our kind of society: Stability is the thing least possible to achieve. We are either going up or we are going down. We never stand still. We have never had a period in which we have not faced the ultimate threat of depression or recession or unemployment. And let's not kid ourselves. Nothing has been altered in that picture. Nothing! Nor is government using any techniques it didn't have and use 15 years ago, 30 years ago, or even 50 years ago. It might but it is not.

We find ouselves, with incredible illogic, reducing expenditure and taxes and trying to reduce the debt at the same time, without analyzing what is the economic environment we are seeking. If our problem is inflation—and I say this to a group including myself to whom the thought must inevitably be an unpopular one—then government expenditure should be reduced, debt should be paid off, but taxes should not only not be decreased but probably increased.

If, on the other hand, it is deflation or recession we face, then taxes should be decreased more quickly and more sharply than we are likely to, but expenditures should not be cut one penny.

But if we do both, then we are politicking with our national economic life. We are not pursuing any objective, nor do we seek to create any kind of economic environment. And everything I have to say has as much to apply to one party as to another. This is as unpolitical a criticism of our approach to national problems as any that I can make.

We must begin to face several other new problems which are in addition to those which existed before.

For all of our history, up to World War I, two facts were true about the world: England was the great Empire-builder, depending on world trade, and therefore the great free-trader. America was the young nation, nationalistically building itself up, and therefore dependent on tariffs. But it is funny how many problems we approach with the lessons we learned in 1870. The world has changed. England today requires the tariffs—and you would be amazed how many Englishmen in all walks of life and of all political points of view are today advocating economic nationalism as the only salvation for England.

And the character of America has changed: America is the great Empire-builder and America's future is inevitably dependent on increasing world trade. That never was true before, and you cannot have increasing world trade and tariffs. You pursue one course or another. Is our course to be economic nationalism or trade expansion? And we can't make up our mind, largely because we can't see the problem in those terms.

We pretend to ourselves that there are international agencies like Bretton Woods and the World Bank, which rest upon many nations. But that is myth. Those agencies rest upon one nation, the United States. They are not international agencies. They are agencies pursuing the will of this country and dependent entirely upon the course we desire.

I know how much you would like me to get back to the question of recession in 1947. Some of you may have heard me before and you know that I don't duck questions, and I won't duck that one.

I still believe that recession in 1947 is unlikely—and that doesn't mean that prices won't drop. As a matter of fact, my belief that recession will not occur in 1947 depends upon some drop in prices. I know of no better way of guaranteeing recession—but let me not be mild—I know of no better way of guaranteeing depression than a continued incline in prices. Because when they drop they will really drop. And it will not be with the mild overtones of what we call recession.

In weighing all the factors I have presented, I do not believe that 1947 will see any considerable recession or any even minor economic crisis in American economic life. I believe, that without quite knowing why, in many cases, we are going to fill a portion of the British vacuum. I believe that, not knowing fully all the facts, we shall continue to sustain our military expenditure. I believe the government funds will continue to help sustain this economy for all of 1947. I do not believe that we will either hit that level of production or exhaust that volume of demand in more than isolated lines, sufficiently to prove disturbing in 1947. I believe 1947 is, in other words, either the last or next to the last of the guaranteed business years for some time. I believe this is the interval of grace we have to come to grips with our problems, to see them clearly and begin to meet them, whether they are problems of our own labor or problems of our expenditure, or problems of the world.

I am afraid really of only one thing for 1947. A shout of fire in a crowded theater can frequently produce as many casualties, even if there is no fire. And if enough businessmen believe there will be a recession and act accordingly, they can so easily produce it. And if business decisions are going to be made on the basis of how much spending is being done in Florida this Winter, in comparison with last Winter, or what the black-market price is on a Cadillac, or whether demand has fallen off for the mink coat—if these are the indicia which to our economic judgment spell reliable indications of health or illness, then we businessmen can really produce our own doom with no adequate economic reason.

In other words, I think we have, for the wrong reasons, done many right things. But I urge that we begin to examine some of the real reasons for concern for the years beyond 1947.

Philip H. Morton Joins C. S. Jeffrey Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Philip H. Morton has become associated

Philip H. Morton

with C. S. Jeffrey Co., 79 Milk Street. Mr. Morton was previously Boston manager for Ira Haupt & Co. and prior thereto was with R. W. Pressprich & Co.

Clarence O'Brien With Samuel & Engler Co.

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—Clarence O'Brien has become associated with the Samuel & Engler Co., 16 East Broad Street. Mr. O'Brien was formerly an individual dealer in Columbus for many years.

William G. Hobbs, Jr. V.-P. of Russ & Co.

SAN ANTONIO, TEX.—Russ & Co., Inc., Alamo National Bank Building, announce that William G. Hobbs, Jr. has been elected Vice-President of their firm in charge of the corporate and municipal trading department.

H. R. Platner Opens

OGDENSBURG, N. Y.—H. Russell Platner is engaging in the securities business from offices at 209 Ford Street.

McCloy Elected World Bank President

(Continued from page 1252)

tional changes, it is now understood that such projected plans have been dropped. It is felt that the basic shortcomings instead have been repaired by the enlistment of Mr. Black's expert and practical abilities in securities marketing, a move which Mr. McCloy made to repair the previous fault of the investor not being properly represented.

It is highly significant that on Feb. 25, a resolution was introduced into the New York State Legislature permitting the insurance companies to invest in World Bank bonds up to 5% of the total resources of each company. The Legislature has already made the bonds legal investments for savings banks in the State.

In this connection and also because of technical considerations bound up with the printing and distribution of the Bank's bonds, it will be necessary for the institution to have a New York office. In addition to liaison with the insurance companies, the need for frequent and close contact with commercial banks and insurance companies, as well as with the New York Federal Reserve Bank, will no doubt require an office in the New York financial center.

Mr. McCloy feels that while the President has tremendous moral responsibility for the repayment of the Bank's obligations, he himself is familiar mainly with their form rather than their worth—the latter being a banking rather than a legal function. Mr. Black, he feels, is admirably equipped to function as his lieutenant in this regard.

Mr. Garner, who for several years in the early 1920s was in the underwriting of bonds rather than in their distribution, presumably will be responsible for the Bank's staff work prior to the Executive Directors making a decision on loans.

Although the Bank has pending loan applications of almost $2 billions, it can be assumed that the institution will make no loans until Mr. McCloy assumes his duties March 17.

Capital Subscriptions

The Articles of Agreement of the Bank [Article XI, Section 2 (d)], require the payment of 1/100 of 1% of the capital subscription of each member country at the time of signature of the Articles. These payments were treated in the same way as the initial payments to the Fund. Accordingly, the United States paid the Bank $317,500 under this clause. Total payments by all member countries aggregated $737,000.

Under Article II, Sections 7 and 8, the balance of 2% of the capital subscription became payable within 60 days after the Bank began operations, i.e., on or before Aug. 24, 1946. The United States accordingly paid an additional $63,182,500 to the Bank on June 28, 1946. The Bank, in accordance with Article II, Sections 5, 7, and 8, called for an additional 3% ($95,250,000) as of June 25, 1946, payable on or before Nov. 25, 1946. This call was likewise paid on June 28, 1946. The total paid to the Bank by the United States as of Oct. 31, 1946, amounted, therefore, to $158,750,000.

As of Sept. 25, 1946, the Bank called an additional 5% of the capital subscription of all members payable by Nov. 25, 1946, and it has also given notice that it intends to make two additional calls of 5% each, payable by Feb. 25, 1947, and May 26, 1947, respectively. The United States payment on each of these calls will be $158,750,000, so that a total of $635,000,000 will be paid in on capital subscription by the United States. The remainder of the United States subscription to the capital stock of the Bank will not be called unless funds are needed to make payments to investors to meet obligations of the Bank.

In accordance with the Bretton Woods Agreements Act, the United States will exercise its option to deliver non-negotiable, non-interest bearing demand notes in exchange for dollars not needed in the Bank's operations, as provided in Article V, Section 12, of the Bank Agreement.

There follow herewith biographical sketches of the Bank's three new key officials.

JOHN J. McCLOY

John J. McCloy, President of the International Bank for Reconstruction and Development, was born in Philadelphia, the son of John Jay and Anna Snader McCloy, on March 31, 1895. He received his preliminary education at Peddie School, Hightstown, New Jersey. In the fall of 1912, he enrolled in Amherst College, Amherst, Massachusetts, from which he was graduated with honors in 1916. He then entered Harvard University, Cambridge, Massachusetts, as a law student.

At the outbreak of the World War, Mr. McCloy discontinued his law studies to enter the Plattsburg Training Camp in May, 1917. He served in France with the American Expeditionary Forces as a Captain of Field Artillery. He returned to resume the study of law and graduated from the Harvard Law School in 1921. He commenced the practice of law in July of 1922 after admission to practice and became a member of the firm of Cravath, de Gersdorff, Swaine & Wood, New York City, on July 1, 1929.

Mr. McCloy travelled in France and Italy, and other European countries between June, 1927, and 1928 on business of his firm and on April 25, 1930 took charge of the Paris office of Cravath, de Gersdorff, Swaine & Wood, until June 29, 1931 when he resumed practice in this country.

In the summer of 1940 Mr. Stimson, the Secretary of War, requested him to come to the War Department, and on Oct. 8, 1940, he was appointed expert consultant to the Secretary of War. On Dec. 16, 1940, he was appointed Special Assistant to the Secretary of War.

He became The Assistant Secretary of War on April 22, 1941, serving until November, 1945, when he returned to practice as a member of the firm of Milbank, Tweed, Hope, Hadley & McCloy.

He travelled extensively in connection with his duties as the Assistant Secretary of War, visiting practically all fronts and attending as a representative of the War Department several of the Big Three war conferences.

During the war, in addition to his regular position, he was appointed Chairman of Combined Court Affairs Committee of the Combined Chiefs of Staff. He was awarded the Distinguished Service Medal by President Truman for his services in the war.

Mr. McCloy was married to Miss Ellen Zinsser on April 25, 1930. They have two children, John, Jr., born on Nov. 5, 1937, and Ellen, Jr., born on July 16, 1941.

EUGENE R. BLACK

Mr. Black, nominated as U. S. Executive Director of the World Bank, was born in Atlanta, Ga., in 1898. The son of Eugene R. Black, former Governor of the Federal Reserve System, Mr. Black was graduated from the University of Georgia with honors and served as an Ensign in the Navy in World War I. He became associated with Harris Forbes & Company in 1918. Subsequently he was an officer of Chase-Harris Forbes Corporation, later becoming Vice-President of the Chase National Bank. In the Third War Loan Drive Mr. Black was Director of the Banking and Investment Division, New York City, and was prominently connected with the other various War Loan drives. In the past two or three years he has done considerable foreign work for the Chase National Bank, just returning from a two months trip to Europe in connection with foreign credits. His home is at Princeton, N. J. In addition to Mrs. Black, his family consists of a daughter, Mrs. Peter Campbell and two sons, Eugene Robert Black, Jr. and William Heath Black.

ROBERT L. GARNER

Mr. Garner, newly appointed Vice-President of the World Bank, was born in Bolton, Miss. in 1894. He attended Columbia Military Academy and Vanderbilt University, Nashville, Tenn. In World War I he served as Captain of Infantry, 77th Division. Mr. Garner is financial Vice-President and a director of General Foods Corp. with which company he has been associated since 1943. From 1929 to 1943 he was Vice-President and Treasurer of the Guaranty Trust Co. of New York and, prior that, was associated with the Guaranty Co., working on the underwriting of both domestic and foreign loans. He helped to organize the First War Loan Drive in the Second Federal Reserve District in 1942. He is a member of the Banking Board, State of New York. Mr. Garner lives in New York City. He has a son, Robert W. Garner, and a daughter, Joan F. Garner.

BANKING WORLD IS ENTHUSIASTIC

With the announcement of the new officials, enthusiastic statements of approval were issued by several prominent banking officials, as follows.

Statement of Winthrop W. Aldrich, Chairman of the Chase National Bank, and Chairman of the President's Committee for Financing Foreign Trade—"With the senior positions at the International Bank now filled again, the Bank has every prospect of fulfilling its vital part in world reconstruction.

"This management deserves and will have the confidence of the institutional and private investors in this country that will assure a market for its securities."

R. C. Leffingwell, Chairman of the Executive Committee of J. P. Morgan & Co. Inc., Assistant Secretary of the Treasury in the First World War, said: "The appointment of Mr. McCloy and his acceptance of the presidency of the World Bank is good news. No civilian did greater service to our country than he in World War II. His experience as Assistant Secretary of War and as a lawyer has well fitted him for his high task. His distinguished colleagues, Eugene Black and Robert Garner, are admirably qualified to support him. The World Bank has a great opportunity to aid in reconstruction and development abroad. In proportion as it succeeds in that undertaking it will promote peace and prosperity for all of us. Everyone must wish the Bank and Mr. McCloy and his associates the fullest success in this high enterprise."

Statement by Elliot V. Bell, Superintendent of Banks, on The International Bank for Reconstruction and Development—"This troubled world can take courage from the news that John J. McCloy, Robert L. Garner and Eugene R. Black have agreed to manage The International Bank for Reconstruction and Development.

"There has never been any serious question about the soundness of the World Bank idea. Such an institution is desperately needed at this time. The one question practical men have asked is: Will the bank have good management? That question has now been answered.

"With these able men in charge we can all have renewed confidence in the bank. An important step has been taken toward world recovery and economic peace."

Statement by W. L. Hemingway, Chairman, Mercantile-Commerce Bank and Trust Co., St. Louis: "The announcement of Mr. McCloy's acceptance of the presidency of the International Bank and of his able assistants, Mr. Eugene Black and Mr. Robert Garner, is encouraging evidence that the affairs of the bank will be in capable hands. If these gentlemen are clothed with the power to administer the affairs of the bank in the way that is customary for bank executives to operate, we can expect prompt and competent action by the bank to help in the difficult tasks of reconstruction in this troubled world. By following the statutes of the bank and using their good judgment and experience confidence in the bank will be secured and it will be enabled to perform the functions for which it was created."

Truman Asks Relief Funds Abroad

With UNRRA going out of business President Truman is seeking $350,000,000 from Congress for direct relief by the United States to "liberated" countries during 1947, Associated Press Washington advices of Feb. 23 stated. A bill introduced in response to the President's request by Chairman Eaton (R.-N. J.) of the House Foreign Affairs Committee would carry the provision that nations receiving part of such aid would have to permit American newsmen to report on its use.

UNRRA is scheduled to cease operations March 31. Mr. Truman said in his message to Congress: "On humanitarian grounds and in the light of our own self-interest as well, we must not leave the task unfinished. We cannot abandon the peoples still in need." He said he thought the relief contribution should be used only for providing such basic essentials as medical supplies, food, and items which will aid in the production of foodstufs. The President's recommendation was only for liberated countries. American relief activities in occupied countries, such as Germany and Austria, are financed by the War Department from its appropriations.

Notables Attend "Financial Follies"

More than a thousand leaders of government, industry and finance attended the 1947 edition of the "Financial Follies," annual satire presented by the New York Financial Writers Association.

The guest list included: Eugene H. Holman, President of Standard Oil of New Jersey; Mark Woods, President of American Broadcasting Co.; Walter S. Mack, Jr., President of Pepsi-Cola Co.; Philip D. Reed, Chairman of General Electric; Nelson A. Rockefeller, former Assistant Secretary of State; Emil Schram, President of the New York Stock Exchange; Robert R. Young, Chairman of Chesapeake & Ohio Railroad.

Also, W. Randolph Burgess, Vice-Chairman of National City Bank; E. V. Rickenbacker, President of Eastern Airlines; William McChesney Martin, Director of the Export-Inport Bank; Calvin Verity, Executive Vice-President of American Rolling Mill Co., and Francis Adams Truslow, the new President of the New York Curb Exchange.

Economists Suggest Detailed Monetary Reform To the President and Congress

(Continued from page 1253)

pennies—shall be legal tender only up to 25 cents, and that subsidiary or fractional silver[5] coins shall be legal tender only up to $10. Under present law a debtor can legally annoy his creditor by paying any size debt in pennies, nickels, or fractional silver coins. The preceding legal tender laws in respect to these coins were properly conceived and sound.

(b) Full legal tender quality should be given to all legally-issued circulating Treasury currency except subsidiary or fractional[5] silver and minor coins, as indicated in [a], bank notes, and Treasury Notes of 1890 in process of retirement.

Specifically, the following should have the full legal tender quality: silver dollars, silver cerficates, and United States notes.

Since gold and gold certificates cannot legally be used domestically under our international gold bullion standard, they cannot with consistency be given any legal tender quality. As the confused laws on legal tender stand today, the law prohibiting the free use of gold and gold certificates domestically nullifies that portion of the law which declares this money to be full legal tender.

(c) Bank notes should not be given the quality of legal tender for the reason that, considering the meaning of legal tender, a Federal Reserve bank could use its own notes (a liability of the bank) as a reserve against another liability (its deposits). Since Federal Reserve notes were given the quality of full legal tender by the Act of May 12, 1933, and Public Resolution No. 10 of June 5, 1933, the Federal Reserve banks could legally use these notes as reserves against their deposits. But the law of June 12, 1945, nullifies this aspect of the legal tender quality of these notes by providing that only gold certificates (which, despite their full legal tender quality, cannot be paid out) may count as lawful money for reserves against deposits in Federal Reserve banks. This is another sample of how, in the present maze of legal inconsistencies, one law conflicts with or nullifies another.

Congress should make all bank notes *receivable* for all debts, public and private, at the same time providing that such notes may not be counted as reserves against other notes or deposits of the issuing banks, thus avoiding the present conflicts between the meaning of a legal tender money and one that may properly serve as *lawful money* for reserves against deposits in our Federal Reserve banks. The wording of the original Federal Reserve Act was properly conceived when it made Federal Reserve notes and Federal Reserve bank notes *receivable* for certain specified purposes. National bank notes prior to the law of May 12, 1933, were likewise, and properly, made *receivable* for certain specified purposes.

In short, all bank notes, whether being issued or retired, should be deprived of the legal tender quality and should be made *receivable* for certain specified purposes.

Today, Federal Reserve bank notes (most of which bear the legend "National Currency") and national bank notes are in the process of retirement and are carried as liabilities of the Treasury (as part of Treasury currency).[6] This fact does not justify giving bank notes the legal tender quality, though these notes be part of Treasury currency, while being retired. The purposes of legal tender and of retirement are conflicting in nature. Nor should any law authorize the use of bank notes, in process of retirement, as reserves against deposits in Federal Reserve banks merely because they are Treasury currency temporarily. In so far as our monetary standard will permit, reserves should be composed of money that can be paid out upon demand. Bank notes in process of retirement cannot properly be paid out; they should be treated as uncollected items—just like uncollected checks. The same principle should be applied to all Treasury currency in process of retirement, and for the same reason. In other words, when a Treasury currency is to be retired it should be deprived of the legal tender quality.

Item No. 8—Congress should amend the law of June 12, 1945, by providing that all Treasury currency, except that in process of retirement, should be counted, along with gold certificates, as part of the *lawful money* for reserves against deposits in Federal reserve banks. In short, all silver and minor coins, silver certificates, and United States notes should be added to gold certificates as part of the money that is lawful for reserves in Federal Reserve banks against their deposits.[7]

Item No. 9—Congress should require of the United States Treasury and Department of War a detailed accounting of the issuance of, and liabilities for, Allied Military Currency.[8]

Item No. 10—The United States Senate should not revive nor extend the life of the Senate Special Silver Committee. This has been a pressure group operating constantly in behalf of silver mining interests, and its existence and operations have reflected badly upon the objectivity of Congress in matters affecting our monetary system and silver. All monetary questions should be assigned to the appropriate standing committees dealing with money or coinage.

SIGNED

Eugene E. Agger, Rutgers University

Charles C. Arbuthnot, Western Reserve University (Second choice)

James Washington Bell, Northwestern University (See footnotes 3, 9)

William A. Berridge, Metropolitan Life Insurance Co., N. Y. C.

Ernest L. Bogart, New York City (See footnotes 3, 8)

Frederick A. Bradford, Lehigh University (See footnotes 3, 7, 10)

J. Ray Cable, Missouri Valley College

Wilbur P. Calhoun, University of Cincinnati (Second choice)

Garfield Cox, The University of Chicago (See footnote 11)

Rev. Bernard W. Dempsey, S.J., St. Louis University (See footnote 11)

Charles A. Dice, The Ohio State University

William E. Dunkman, The University of Rochester

D. W. Ellsworth, E. W. Axe & Co., Inc., Tarrytown, N. Y. (Second choice)

William D. Ennis, Stevens Institute of Technology (See footnotes 3, 11, 12)

Fred R. Fairchild, Yale University (Second choice)

Charles C. Fichtner, Buffalo, New York (Subscribees to Items No. 1-7, 9, 10)

Major B. Foster, Alexander Hamilton Institute and New York University (See footnotes 1, 5, 8)

Roy L. Garis, University of Southern California (Second choice. See footnotes 3, 6, 11)

E. C. Harwood, American Institute for Economic Research (Second choice)

Hudson B. Hastings, Yale University (See footnotes 8, 11)

William F. Hauhart, Dean Emeritus, Southern Methodist University (See footnote 3)

John Thom Holdsworth, The University of Miami (See footnote 13)

Montfort Jones, The University of Pittsburgh (See footnote 3)

Donald L. Kemmerer, University of Illinois (Second choice. See footnotes 3, 8)

William H. Kiekhofer, The University of Wisconsin

William H. Kniffin, Bank of Rockville Centre Trust Co., Long Island (Second choice)

Frederic E. Lee, University of Illinois (See footnote 3)

J. L. Leonard, University of Southern California

Philipp H. Lohman, University of Vermont (See footnotes 3, 14)

A. Wilfred May, The Commercial and Financial Chronicle, N.Y.C. (Second choice)

Margaret G. Myers, Vassar College

Melchior Palyi, Chicago, Illinois

Frank Parker, University of Pennsylvania

Clyde William Phelps, University of Southern California

Charles L. Prather, University of Texas (See footnotes 3, 6, 8)

Howard H. Preston, University of Washington (Subscribes to Items No. 1-6 7[a], 8, 10. See footnotes 3, 11)

Leland Rex Robinson, 2 West 45th Street, N. Y. C.

R. G. Rodkey, University of Michigan (See footnote 3)

Olin Glenn Saxon, Yale University (Second choice)

Walter E. Spahr, New York University (Second choice)

William H. Steiner, Brooklyn College

Charles S. Tippetts, Mercersburg Academy (See footnote 4)

Alvin S. Tostlebe, The College of Wooster (With reservations on Item No. 7)

James B. Trant, Louisiana State University (Second choice with some reservations as to wording of 7 [b])

Russell Weisman, Western Reserve University

Nathaniel R. Whitney, The Procter and Gamble Co., Cincinnati (Second choice. See footnotes 2, 15)

Edward Wiest, University of Kentucky

Max Winkler, College of the City of New York

Ivan Wright, Brooklyn College (See footnotes 2, 8, 16)

[1]Professor Major B. Foster suggests that "The repeal of Sections 8 and 9 would appropriately confirm our good faith in the undertaking we made upon adhering to the Bretton Woods Agreement."

[2]In reference to the last 14 words of the third paragraph under Item 4, Drs. Whitney and Wright think there should be no restriction on the sale of Treasury silver if there is a surplus.

[3]Drs. Bradford, Ennis, Garis, Hauhart, Kemmerer, Lee, Prather, Preston, and Rodkey recommend that United States notes also be eliminated. Dr. Bogart would also subscribe to this recommendation although he does not think it very important. Dr. Bradford assumes that silver dollars also would be eliminated. Drs. Bradford, Hauhart, Jones, Lee, Lohman, and Rodkey would like to see silver certificates retired. Dr. Bell would also favor these recommendations regarding United States notes and silver certificates, but he does not consider them very significant as compared to the more fundamental problems.

[4]Dr. Tippetts says in respect to Item No. 7: "There was a time when the legal tender qualities of money were important. Today I doubt whether it makes much difference one way or the other, except in the case of coins, the legal tender qualities of which should be limited primarily for convenience, so that somebody with a grudge might not try to pay off $1,000 debt with nickels."

[5]Professor Major B. Foster thinks that the words "or fractional" should be eliminated. He says: "I consider 'fractional' improper as long as two halves, four quarters, 10 dimes do not, in fact, contain the same amount of silver as is contained in a dollar. My objection would be lessened . . . if the word 'fractional' were enclosed in quotation marks."

[6]Drs. Garis and Prather recommend that the retirement of these notes and also Treasury Notes of 1890 be forced by a stipulated date. Dr. Bell does not think this matter significant except that simplification is desirable.

[7]Dr. Bradford does not agree with this paragraph. He says that only gold certificates should serve as reserve against Federal Reserve notes and deposits and that these certificates should be redeemable in gold bullion.

[8]Drs. Bogart, Hastings, Kemmerer, Prather, and Wright think this recommendation unimportant and perhaps undesirable.

Professor Major B. Foster thinks that the words "and liabilities for," together with surrounding commas, should be deleted "because they might be interpreted as an admission by the Congress that such liability exists and hence that in the future the Executive may again legally obligate the Government in this or in allegedly comparable ways without the authorization, direction or consent of the Congress."

[9]Dr. Bell raised the question of whether it would be desirable "to add a provision for the conversion of other forms of money into gold at a fixed price ($35.00 per fine ounce) in the minimum amounts, say 10 ounces."

[10]Dr. Bradford agrees with Bell on the desirability of provision for redemption in gold bullion. He would also like to see a provision for the circulation of gold certificates, the latter to be unconditionally redeemable in gold bars. He would suggest 400-ounce standard bars as a redemption unit. "This is," he says, "larger than the unit Dr. Bell suggests, but was used successfully in England in the 'twenties' and would meet all needs except personal hoarding." Dr. Bradford adds that "without some provision for redemption in gold bullion (without strings attached), I cannot subscribe to Program I."

[11]Dr. Dempsey thinks it very important that Congress and the public recognize that the recommended programs are nothing more than "minimum essentials or essentials or essential conditions for Monetary Policy," and that "There is a wide range of policy determination still left even after these desirable reforms have been achieved." Drs. Cox, Ennis, Garis, Hastings, and Preston concurred in these views.

[12]Dr. Ennis would delete all but the third paragraph under Item No. 7[c].

[13]See footnote 14 of Program II.

[14]Dr. Lohman is among those who disapprove of Program II and desires that it be so stated.

[15]Dr. Whitney indicates that if Program I should be adopted he hopes it would be only the beginning and that we ultimately could obtain something like Program II.

[16]Dr. Wright has some reservations regarding the recommendations in Item No. 8 and in the last two paragraphs of Item No. 7[b].

PROGRAM No. II

Program No. II suggests the restoration of the coinage laws with respect to gold and silver substantially as they were in 1932 should Congress decide to restore a gold-coin standard. It is recommended, however, that no change be made in the present price of $35 per ounce of fine gold and that no gold coin of less than $10 denomination be minted or issued.

Commenting on this recommendation those who sign the program say: "A return to a gold-coin monetary standard restores to the people of the United States direct control over the public purse." They say further that: "The choice lies between a continued deprivation of the people of this country of a direct control over the public purse by the maintenance of something other than a gold-coin standard and the restoration of this control to them by a return to a *gold-coin standard with proper safeguards* and fire escapes."

PROGRAM No. II

A Monetary Program for the Federal Government Should Congress Decide to Restore the Gold-Coin Standard

Item No. 1—Congress should restore the coinage laws with respect to gold and silver coins substantially as they were in 1932, except that the standard gold dollar should weigh 15-5/21 grains 9/10 fine and an ounce of fine gold should equal 35 gold dollars, fine. The mint ration between gold and silver coins would be changed in accordance with the present weight and fineness of these coins. No gold coin of less than $10 denomination should be minted or issued.[1]

(a) All laws in conflict with these provisions should be repealed. No one other than Congress should have the authority to alter the weight of fineness of this nation's coins or standard monetary unit. The Constitution places this responsibility in Congress.

(b) Standard gold coin and gold certificates should be given the quality of full legal tender.

(c) All other money should be maintained on a parity with the standard gold dollar by freedom of exchange at par with standard gold.

(d) Standard gold bullion and coin as well as gold certificates should be declared to be *lawful money* for reserves against deposits in Federal Reserve banks and in the 5 per cent redemption fund against Federal Reserve notes.

(e) Standard gold bullion and coin as well as gold certificates should count as part of the minimum reserve of 25% to be held by Federal Reserve banks against their Federal Reserve notes in actual circulation.

Some basic considerations: A return to a gold-coin monetary standard restores to the people of the United States direct control over the public purse. Should the people, with a gold-coin monetary standard, become disturbed over the volume and quality of non-gold currency or government securities being issued, they could call a halt to their further issance or force a decline in their market values by presenting them for redemption in gold.

A return to a gold-coin standard would also enable our own people, as well as those of other countries, to have free access to our supply of gold. (Today only other countries can obtain our gold.) It would also make our gold reserves usable at home as well as in the making of international payments. (Today our gold reserves are used as a basis for computing reserve ratios between them and gold certificates, United States notes, Treasury Notes of 1890, and Federal Reserve notes and deposits, but these reserves cannot be paid out domestically.)

These considerations suggest the desirability of a return to a gold-coin standard.

On the other hand there are the dangers inherent in the possibility of a great hoarding of gold. Considering the very large volume of non-gold currency and government securities that have been issued and of bank deposits that have been created in recent years, these dangers are very real.

The solution lies in doing those things that would make it undesirable for people to hoard gold. Briefly, the following appear to be prerequisites to a successful operation of a gold-coin standard:

(a) All commercial, savings banks, and trust companies accepting deposits should be members of the Federal Deposit Insurance Corporation.[2]

(b) All commercial banks and financial institutions carrying on commercial banking should be members of the Federal Reserve System.[3]

(c) In the event of a run on a commercial bank it should be able to pledge or exchange any of its assets with its Federal Reserve bank for gold or other cash as demanded by its depositors. Similarly, any Federal Reserve bank should be able to turn to all other Reserve banks for similar aid. Should the reserves or gold of all the Federal Reserve banks be depleted, they should be enabled to pledge their assets with the Treasury until its reserves are depleted. Before that stage is reached, the Treasury should sell its securities (against the pledged assets) to the public at rates of return to purchasers sufficiently high to make it profitable for a large number of people to invest in government securities, because of the interest return, rather than to hold non-interest-bearing gold. The Treasury would then deposit its gold and other cash receipts with the Reserve banks, thus replenishing their reserves. The Reserve banks would redeem their assets pledged with the Treasury when reserves became ample, and the Treasury would purchase its securities in the open market when its funds permitted. Should these devices fail, then it would be necessary to suspend gold payments.[4]

The common argument that a gold-coin standard is impracticable because there is not enough gold to go around can be applied to any commodity that has value. Scarcity is a basic requisite to value. Only when a good is so plentiful that it is free is there "enough to go around." But then it has no value. There are not enough elevators in a building should all entitled to use them demand their use at the same time. This is true of all economic goods of value—our trains, our bridges, our ships, our buildings, and so on. Gold is not different from other *scarce* goods in this respect. Therefore, the common argument, employed in 1933 and heard occasionally today, that, because there is not enough gold to go around, should all or many demand it at once, it cannot therefore be safely and properly employed as a gold-coin monetary standard, is fallacious. The answer lies in the proper and orderly use of gold as money and in provision for adequate fire escapes to meet those occasions when demands for it become panicky and abnormal.

The choice lies between a continued deprivation of the people of this country of a direct control over the public purse by the maintenance of something other than a gold-coin standard and the restoration of this control to them by a return to a gold-coin standard with proper safeguards and fire escapes.

Item No. 2—Congress should repeal all of the Gold Reserve Act of 1934 in deference to a gold-coin standard law.

Item No. 3—Congress should repeal all laws giving the President authority to provide for unlimited coinage of silver, to alter the mint ratio between gold and silver, to alter the weight of our silver and subsidiary coins, to institute bimetallism, and to prescribe mint or seigniorage charges for gold or silver.

Item No. 4—Congress should repeal the Act of Nov. 1, 1893 (C 8, 28 Stat. 4), as explained in Item No. 3 of Program I.

Item No. 5—Congress should repeal the Silver Purchase Act of June 19, 1934, the domestic silver law of July 31, 1946, and the domestic silver purchase law of July 6, 1939, to the extent that any of that last law has not been repealed. The provisions of the silver laws as they stood in 1932, except for the Act of Nov. 1, 1893, should be restored. When the Treasury needs silver for monetary purposes, it should purchase it at the market price provided this not exceed $1.2929 per fine ounce.

Since the Treasury in recent years has bought silver at artificially high prices, Congress has the choice of deciding whether it will direct the Treasury to sell its surplus silver (that not serving as coin and as security for silver certificates and Treasury Notes of 1890) at the market price or at cost. It is here recommended that the Treasury be directed to sell its surplus or so-called "free" silver at the market price, provided this be not less than the cost (average per ounce) to the Treasury.[5]

Item No. 6—Congress should repeal all of Title III of the Act of May 12, 1933 (the so-called Thomas Inflation Act, Public No. 10, 73d Cong.).

Item No. 7—Congress should repeal all authority to issue national bank notes and Federal Reserve bank notes.[6]

Item No. 8—Congress should repeal that part of Public Resolution No. 10, approved June 5, 1933, which provides that all coins and currencies of the United States shall be full legal tender.

(a) Congress should restore those provisions of our earlier legal tender laws which provided that our minor coins—nickels and pennies—shall be legal tender only up to 25 cents, and that subsidiary or fractional silver coins shall be legal tender only up to $10. Under present law a debtor can legally annoy his creditor by paying any size debt in pennies, nickels, or fractional silver coins. The preceding legal tender laws in respect to these coins were properly conceived and sound.

(b) Full legal tender quality should be given to all legally-issued circulating Treasury currency except subsidiary or fractional silver and minor coins, as indicated in [a], and bank notes and Treasury Notes of 1890 in process of retirement.

Specifically, the following should have the quality of full legal tender: gold coin and gold certificates, silver dollars and silver certificates, and United States notes.

(c) Bank notes should not be given the quality of legal tender for the reason that, considering the meaning of legal tender, a Federal Reserve bank could use its own notes (a liability of the bank) as a reserve against another liability (its deposits). Since Federal Reserve notes were given the quality of full legal tender by the Act of May 12, 1933, and Public Resolution No. 10 of June 5, 1933, the Federal Reserve banks could legally use these notes as reserves against their deposits.

Congress should make all bank notes *receivable* for all debts, public and private, at the same time providing that such notes may not be counted as reserves against other notes or deposits of the issuing banks, thus avoiding the present conflicts between the meaning of a legal tender money and one that may properly serve as *lawful money* for reserves against deposits in our Federal Reserve banks. The wording of the original Federal Reserve Act was properly conceived when it made Federal Reserve notes and Federal Reserve bank notes *receivable* for certain specified purposes. National bank notes prior to the law of May 12, 1933, were likewise, and properly, made *receivable* for certain specified purposes.

In short, all bank notes, whether being issued or retired, should be deprived of the legal tender quality and should be made *receivable* for certain specified purposes.

Today, Federal Reserve bank notes (most of which bear the legend "National Currency") and national bank notes are in the process of retirement and are carried as liabilities of the Treasury (as part of Treasury currency). This fact does not justify giving bank notes the legal tender quality, though these notes be part of Treasury currency, while being retired. The purposes of legal tender and of retirement are conflicting in nature. Nor should any law authorize the use of bank notes, in process of retirement, as reserves against deposits in Federal Reserve banks merely because they are Treasury currency temporarily. In so far as our monetary standard will permit, reserves should be composed of money that can be paid out upon demand. Bank notes in process of retirement cannot properly be paid out; they should be treated as uncollected items—just like uncollected checks. The same principle should be applied to all Treasury currency in process of retirement, and for the same reason. In other words, when a Treasury currency is to be retired it should be deprived of the legal tender quality.[7]

Item No. 9—Congress should amend the law of June 12, 1945, by providing that all Treasury currency, except that in process of retirement, should be counted, along with gold and gold certificates, as part of the *lawful money* for reserves against deposits in Federal Reserve banks. In short, all silver and minor coins, silver certificates, and United States notes should be added to gold and gold certificates as part of the money that is lawful for reserves in Federal Reserve banks against their deposits.

Item No. 10—Congress should require of the United States Treasury and Department of War a detailed accounting of the issuance of, and liabilities for, Allied Military Currency.[8]

Item No. 11—The United States Senate should not revive nor extend the life of the Senate Special Silver Committee. This has been a pressure group operating constantly in behalf of silver mining interests, and its existence and operations have reflected badly upon the objectivity of Congress in matters affecting our monetary system and silver. All monetary questions should be assigned to the appropriate standing committees dealing with money or coinage.

SIGNED

Benjamin M. Anderson, University of California at Los Angeles (See footnote 9)
Charles C. Arbuthnot, Western Reserve University
William A. Berridge, Metropolitan Life Insurance Co., N. Y. C. (Second choice)
Ernest L. Bogart, New York City (Second choice)
Frederick A. Bradford, Lehigh University (See footnote 10)
Wilbur P. Calhoun, University of Cincinnati
William W. Cumberland, Ladenburg, Thalmann & Co., N. Y. C. (See footnote 11)
Rev. Bernard W. Dempsey, S.J., St. Louis University (Second choice)
D. W. Ellsworth, E. W. Axe & Co., Inc., Tarrytown, New York
William D. Ennis, Stevens Institute of Technology (Second choice. See footnote 12)
Fred R. Fairchild, Yale University (See footnotes 2, 11)
Charles C. Fichtner, Buffalo, New York (Subscribes to Items No. 1-8, 10, 11)
Roy L. Garis, University of Southern California (See footnotes 1, 6, 7)
Lewis H. Haney, New York University (See footnotes 13, 17)
E. C. Harwood, American Institute for Economic Research
Frederick C. Hicks, University of Cincinnati (See footnote 4)
John Thom Holdsworth, The University of Miami (See footnotes 6, 14)
Donald L. Kemmerer, University of Illinois (See footnotes 3, 6, 8)
William H. Kniffin, Bank of Rockville Centre Trust Co., Long Island (See footnote 15)
Frederic E. Lee, University of Illinois (Second choice. See footnote 16)
J. L. Leonard, University of Southern California
A. Wilfred May, The Commercial and Financial Chronicle, N.Y.C.
Roy W. McDonald, Donovan, Leisure, Newton, Lumbard & Irvine, N. Y. C.
Clyde William Phelps, University of Southern California
Leland Rex Robinson, 2 West 45th Street, N. Y. C.
Olin Glenn Saxon, Yale University (See footnote 17)
Walter E. Spahr, New York University
James B. Trant, Louisiana State University
Rufus S. Tucker, Westfield, N. J. (See footnotes 3, 18)
Nathaniel R. Whitney, The Procter and Gamble Co., Cincinnati (See footnotes 1, 5, 17)
Max Winkler, College of the City of New York
Ivan Wright, Brooklyn College (See footnote 19)

[1] Drs. Garis and Whitney suggest that there be only one gold coin—a $35 piece equal to an ounce of fine gold.

[2] Dr. Fairchild does not approve of requiring savings banks to be members of the F.D.I.C. "Their risks," he says, "are different from those of the commercial banks, the cost of belonging to the F.D.I.C. is excessive, and many of them (as in Connecticut, for example) have their own insurance arrangements, which are as effective as, and far less expensive than, membership in the F.D.I.C."

[3] Dr. Kemmerer would limit this requirement to banks having capital of more than $500,000.

Dr. Tucker would prefer to substitute the phrase "holding deposits subject to check" for "carrying on commercial banking." He explains: "It is conceivable that some financial institution might discount commercial paper without setting up deposits payable on demand; and, on the other hand, an institution whose liabilities consist, in part, of deposits payable on demand might not have among its assets any appreciable amount of commercial paper in the strict sense."

[4] Dr. Hicks thinks the interest rate would be no inducement if people should become frightened and has various other reservations or queries regarding some statements in "Some basic considerations." He raises the question of whether the government should not simply reserve the right to impound gold.

[5] Dr. Whitney says that he sees "no reason for holding silver not needed merely because the Treasury cannot recoup costs" and therefore objects to the last fourteen words of the second paragraph under Item No. 5.

[6] Drs. Garis, Holdsworth, and Kemmerer recommend that United States notes also be eliminated.

[7] Dr. Garis thinks that the Treasury is much too slow in its retirement of Federal Reserve bank notes, national bank notes, and Treasury Notes of 1890, and that the retirement of these notes (and of United States notes) should be enforced by a specified date.

[8] Drs. Bogart and Kemmerer think this recommendation unimportant and perhaps undesirable.

[9] Dr. Anderson agrees with Program II in principle. He would like to have gold coin of five dollar denominations also minted, especially for Christmas use. He wants the people to be able to handle and use gold coin. He agrees with the reservations of Dr. Cumberland as set forth in footnote 11. He does not contemplate the necessity of suspending gold payments, once reestablished, so long as sound fiscal and money market policies are pursued. He emphasizes the importance of taking the public debt out of the banks and putting it into the hands of investors at rates of interest which will attract investors' money, which would involve a simultaneous reduction in the volume of bank deposits and in the volume of money in circulation, as explained in his memorandum of May 10, 1945, on "Inflation Control and the Treasury's Borrowing Policy." This memorandum, with the unqualified endorsement of twenty-two members of this Committee and the endorsement with reservations by two of the members of the Committee, was presented to the Treasury and the Federal Reserve authorities in 1945, and was subsequently circulated as a Committee document. Dr. Anderson emphasizes that courage in paying gold is the one sure way to generate confidence in paper money.

[10] Dr. Bradford says that, assuming that gold bullion redemption is not provided for in Program I, he favors Program II, but agrees with the views of Drs. Cumberland and Holdsworth regarding section [C] as set forth in footnotes 11 and 14 below. He also favors the elimination in both Programs I and II of United States notes and silver dollars and silver certificates.

[11] Dr. Cumberland believes that while the proposed safeguards against gold hoarding and runs on banks, in sections [A], [B], [C] under "Some basic considerations," are technically sound he considers the likelihood of such occurrences so remote as to make the suggested legislation unnecessary. He thinks that "our present nondescript currency is a far more real and acute source of danger than any which might accompany the reestablishment of the gold standard." He also prefers to emphasize solvent fiscal and monetary policies on the part of government rather than "adequate fire escapes" for the reason that "if government behaves itself" he does not "believe that a gold standard in any country can come under such serious pressure as to create panic." And "Conversely," he says, ". . . [he does] not believe that a gold standard currency can permanently stand up against unbalanced budgets. But this," he continues, "also applies to any other currency. In short, currency integrity and government financial responsibility are inseparable."

Dr. Cumberland does not think it important nor desirable to recommend that an effort be made to sell any Treasury silver at current prices or at cost. The matter of first importance, in his opinion, "is to get the gold standard reestablished."

(Dr. Cumberland states that he would also be willing to sign Program I, but considers Program II distinctly better.)

Dr. Fairchild is inclined to agree with Dr. Cumberland as to the elaborate safeguards against hoarding "but would not make an issue of that."

[12] Dr. Ennis recommends deletions in this program corresponding with those mentioned in footnote 12 of Program I.

[13] Dr. Haney prefers the words "gold standard" to "gold-coin standard." He also concurs with Dr. Cumberland in those portions of his comment on the "fire escape."

[14] Dr. Holdsworth is inclined to take much the same position as that of Dr. Cumberland in footnote 11. He points out that if the suggested precautions against possible gold hoarding are a necessary prerequisite to the adoption of a gold-coin standard then he is "reluctantly compelled to vote for Program I." Otherwise, that is, if "this 'prerequisite' can be eliminated, . . . [his] vote would go for Program II."

[15] Mr. Kniffin's opinion regarding the suggested precautions against possible gold hoarding appears to be substantially the same as those of Drs. Cumberland and Holdsworth. Mr. Kniffin states that he would subscribe to either Program I or II, but prefers the latter with the indicated query regarding it.

[16] Dr. Lee would sign Program II as second choice provided the second item [B] were eliminated. He thinks that so long as the Board of Governors of the Federal Reserve System is politically appointed and politically dominated our dual system of banking with full freedom for state banks as to membership in the Federal Reserve System should be continued.

[17] Dr. Saxon thinks it desirable that the gold clause in both commercial and financial contracts be made lawful by statute and that a Constitutional amendment be proposed to prevent any repetition in the future of the 1933 legislation which outlawed the gold clause in both existing and future contracts. He sees no hope of revival of world trade and finance on a stable basis until the gold clause is again legalized. Drs. Haney and Whitney concur in these views.

[18] Dr. Tucker wishes to associate himself with Dr. Cumberland in his reservations in footnote 11 and adds: "I would go even further and state that, in my opinion, the hoarding of gold and its free export should be permitted as a means of enabling the public to express its disapproval of unwise and dishonest fiscal policies."

[19] Dr. Wright signs with reservations on part of "Some basic considerations" in Item No. 1, and parts of Item No. 5. He would delete Item No. 10.

Robert Bulkley With First Cleveland Corp.

CLEVELAND, OHIO—Robert E. Bulkley has become associated with The First Cleveland Corporation, National City Bank Building, members of the Cleveland Stock Exchange. Mr. Bulkley was formerly with Paine, Webber, Jackson & Curtis, in Detroit and prior thereto with A. C. Allyn & Co.

Robert E. Bulkley

Now Gross, Rogers & Co.

LOS ANGELES, CALIF. — The firm name of Gross, Van Court & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange, has been changed to Gross, Rogers & Co. Albert Van Court has withdrawn from the firm.

Officers of the new organization are: Nels Gross, President; L. L. Rogers and P. F. Jarvis; Vice-Presidents; C. G. Johnson, Vice-President and Treasurer; L. S. Sanders, Secretary; Edwin Hicks, Assistant Secretary and Assistant Treasurer; and C. B. Burnham and J. B. Rogers, Assistant Secretaries. H. Edwin Bayhi is trader for the firm.

Wm. F. Thurmond Opens

NEW ORLEANS, LA.—William F. Thurmond is engaging in a securities business from offices at 4490 Lafaye Street. In the past he was active as an individual dealer in New Orleans.

Now King, Olson, Surprise

ROCKFORD, ILL. — The firm name of King & Co. of Rockford, 321 West State Street, has been changed to King, Olson, Surprise & Co.

G. E. Armstrong Dead

George E. Armstrong, widely known in political and financial circles in New York and Albany, died at his apartment in the Great Northern Hotel, at the age of 65.

He came to New York twenty years ago and was associated with Shields & Co. and later with Burr & Co.

CIO's 'Mr. Rich' Beats Income Tax

(Continued from first page)

appropriate, for only an infantile intelligence would be swayed by it. Certainly, no one with even a rudimentary knowledge of the tax law and of the Bureau's application of that law, would be fooled.

The villain in the piece, a certain Mr. Rich, presumably typifies rich men in general. The first thing we are told about him is that his income is "over $236,000," but just how much over is not disclosed. Whether one is rich or not is always a relative matter, but an annual income of the stated amount classes our villain at once as one of a very small number of rich men. In 1944, the last year for which income tax data of any sort are available, there were only about 150,000 incomes of $25,000 and over. Only about 1,400, or less than 10% of this number, were incomes of $250,000 and over.

Anyway, there are a few persons who do have incomes of this size. The particular individual at the bar, after roughly figuring up his income tax, calls in his lawyers. This much, no doubt, is fact, not fiction. One does not need to be in the top surtax bracket to fall back on legal advice regarding the income tax. With Mr. Lasser's handy little book in the best seller class, it would appear that income tax advice is being avidly sought by the masses as well as by the classes.

From here on we seldom leave the realm of fantasy, and if Mr. Rich's lawyers really gave him the kind of advice they are represented as dishing out, they are highly eligible for disbarment. This advice is supposed to consist of a number of ways of taking deductions from income, with the result that Mr. Rich whittles his income tax down to a bare trifle. We are told, at the end, that his tax is at a 16% rate, but just what it is that the tax represents 16% of, is not explained. Since the net tax rate is 19% on the first dollar of taxable income, the comparison is evidently not with this base.

In the course of following the advice of counsel, Mr. Rich is supposed to do some very peculiar things. It is doubtful if the "mouthpieces" whose bad tax advice landed Al Capone and other bootleggers in Federal prison, would have proposed some of them. The author of this creed seeks industriously to build up the impression that a rich man can always call his own shots, hence he has only to claim a deduction and it will be allowed. The most casual inquiry among those, whether rich or poor, who have had to explain the details of their income tax returns to an examiner would have disabused his mind of this singular notion.

"Dodges" Attributed to Mr. Rich

The first dodge attributed to Mr. Rich is the purchase of the apartment house in which he lives. Then, instead of paying rent, he takes a loss of $4,000. In order to prove this loss, Mr. Rich would have to produce his records of operation: and if he actually did incur a loss it would be deductible. No dreamed-up loss would be allowed.

The apartment house deal, as a deal, could have happened, but Mr. Rich's lawyers chose an odd way for their client to save his rent. Real estate ownership and management is seldom free from headaches, what with rising taxes, increasing operating costs, strikes engineered by the CIO and other unions, and so on. Add to these regular sources of grief in the real estate business the rent ceilings and the other controls imposed by the OPA and we may consider Mr. Rich lucky to have held his loss on the apartment house investment to as little as $4,000.

The next device introduced is for Mr. Rich to call his friends "business associates" and then deduct $20,000 a year for entertaining and gifts as business expense. Since the income tax law does not define the term "business associate," Mr. Rich is free to give his own connotation to it. If his tax return contained any such amount as $20,000 for entertainment as a business expense, the examiner would certainly be interested in the details and in their relation to the operation and promotion of the business against which the expense was to be charged. His scrutiny would be directed to screening out the legitimate business expense from the purely personal and social expense, if Mr. Rich were so foolish as to drag the latter into his tax return. The chances are strong that the entire amount would be disallowed if any doubt were to arise concerning the connection of the item with bona fide business promotion.

The next neat trick which is said to be available to Mr. Rich is the transfer of funds to a foundation. In the case under review it is The John Rich Economic Institute. The founder provides $20,000 a year which is said to be deductible as a contribution. If Mr. Rich were to get away with all of the deductions which he is supposed to claim, he could not deduct the whole $20,000 as a contribution, since this deduction is limited to 15% of the taxpayer's net income. But when we consider the activities of The John Rich Economic Institute, it becomes clear that no part of the contribution will be deductible. The purpose of this institute is to fight for anti-labor legislation. In section 23 (o) (2), it is provided that contributions to non-profit institutions are deductible if no substantial part of the institution's activity consists in carrying on propaganda or otherwise attempting to influence legislation. The sole activity of this particular institute is said to be the influencing of legislation through propaganda methods. hence the entire amount given in its support would be disallowed.

Another dodge which is said to be available to Mr. Rich is to borrow $200,000 from his daughters, whereupon he can deduct their $12,000 a year allowance as an interest expense. Conceivably, each of the daughters might have $100,000 that she would be willing to lend to papa, and to do so would be a good stroke of business for the girls if he were willing to pay 6% interest, a rate considerably above the going rates of recent years. The obvious implication is, however, that the loans are phony, since the $12,000 ostensibly deducted as interest expense is actually to be paid to the daughters as their allowances. If the girls are really in need of annual allowances, there is small likelihood that either has $100,000 to lend to the old man.

Here again, the inventor of this fabrication did not trouble to look at the tax law or the regulations. Interest on indebtedness is deductible, but it is necessary to produce, or be able to produce, evidence that a debt actually exists on which the obligation to pay interest is a legal obligation of the taxpayer. No one can get away with a deduction of interest on a fictitious debt, that is, on indebtedness which does not exist. If Mr. Rich actually borrowed the $200,000 and gave his notes or other evidences of debt for the amount, then he owes interest thereon. In this case he is not simply paying an allowance to his children. If the debt is a fiction, the claim for an interest deduction will be disallowed.

Mr. Rich, it appears, has a country estate. We are told that merely by calling this estate a "farm" he can deduct $16,000 as a business loss. It is true that any bona fide loss incurred in a transaction entered into for profit is deductible. From this standpoint, a farming loss is on the same footing as the apartment house loss. But it should have been perfectly clear to those who rigged up this CIO fantasy, as it is to all others who know anything at all about the income tax, that the loss must be an actual one, capable of proof by reference to books of account. Moreover, the law authorizes the Commissioner to determine whether or not the accounting methods used are such as will properly reflect the character of the operations and the results thereof.

If Mr. Rich's country place is a bona fide farm, and if losses are incurred, they are deductible. If, however, as the cartoon indicates, it is simply a mansion situated in a suitably decorative setting, it is not a farm and just calling it one will not suffice. Even planting potatoes in the front lawn will not suffice. In order that it may be classed as a bona fide farm, the farming operations must be sufficiently extensive to afford evidence of an intent to gain income from this pursuit. The regulations contain the following:[2]

"If a farm is operated for recreation or pleasure and not on a commercial basis, and if the expenses incurred in connection with the farm are in excess of the receipts therefrom, the entire receipts from the sale of products may be ignored in rendering a return of income, and the expenses incurred, being regarded as personal expenses, will not constitute allowable deductions."

The next deduction in the list is of minor importance, and probably legitimate. The caption reads:

"He and his 'secretary' travel a lot so they need four cars. He can deduct $2,500 a year as a business expense."

Two people cannot well use four cars in traveling, although some families may have that many. The tax law says that traveling expense while away from home in the pursuit of a trade business is deductible. The Regulations supplement this by adding that if the trip is undertaken for other than business purposes, the expense is not deductible. The amount claimed by Mr. Rich is only about 1% of his total income and it would no doubt be possible to defend all of this as a proper business expense.

Making the Wife a "Private Secretary"

Now we come to an interesting scheme. Mr. Rich, we are told, can call his wife a "private secretary" and deduct her $9,500 a year allowance as a business expense. He can call his home an "office" and deduct $10,000 a year as a business expense.

Among the ordinary and necessary expenses of carrying on a trade or business that are deductible, the tax law mentions "a reasonable allowance for salaries or other compensation for personal services actually rendered." The Regulations state, by way of emendation, that the test of deductibility in the case of compensation payments is whether they are reasonable and are in fact payments purely for services.

We have here two tests, first, reasonableness, and second, actuality of service rendered. The Regulations explain that reasonable and true compensation is only such amount as would ordinarily be paid for like services by like enterprises under like circumstances.

In other words, what is the going rate for private secretaries? The payment to Mrs. Rich figures out at a weekly rate of $182.58, which certainly puts her in the top flight of this class of employees. But even if the rate of pay be held to be reasonable, there is still another test to meet, that of actually performing services. We are told that the payment was simply her allowance, which implies that no service was performed by the lady in the bona fide capacity of a private secretary. In view of the amount claimed, an examiner would no doubt have to be shown conclusively that enough service of a secretarial nature was being performed to warrant the claim. The implication is that the title and the service are alike fictitious, and the deduction would be disallowed.

Then Mr. Rich calls his home an "office," whereupon he is supposed to take off another $10,000. This Mr. Rich, it will be recalled, lives in an apartment house which he bought in order to save paying rent. His apartment is now to become an "office." Neither the law nor the regulations make specific reference to the deductibility of home or household expenses in a case where the home is used as an office by a business man. A parallel case, that of the professional man, is discussed in the Regulations, and it would appear to have a bearing on the use of a residence for business office purposes as well as for professional purposes. The pertinent passage is as follows:[3]

"In the case of a professional man who rents a property for residential purposes, but incidentally receives clients, patients, or callers there in connection with his professional work (his place of business being elsewhere) no part of the rent is deductible as a business expense. If, however, he uses part of the house as his office, such portion of the rent as is properly attributed to such office is deductible."

We are given to understand that Mr. Rich did not actually convert his home into an office, and transfer to it all of his office equipment of desks, files, typewriters, and clerical help. He merely called it his office. This puts the office deduction beyond the pale, like so many of the others.

Taxes on Pensions

When Mr. Rich comes to the age of retirement from active business we are told that he is to get a pension of $25,000 a year, on which he is to pay no income tax. Nor has he had to pay a tax on the amounts contributed by corporations toward this annuity. The general rule is this: an employer may contribute toward an employee's annuity, under a plan whereby an employer's contribution is deductible, in which case the payments to the employee must be reported by him as income for the years in which they were received. If the employer purchases an annuity contract under a plan whereby his contribution is not deductible, the amount of such contribution shall be included in the income of the employee in the taxable year in which the contribution is made, if the employee's rights under the contract are non-forfeitable at the time the contribution was made except for failure to pay future premiums. Various qualifying limitations and conditions are set out in the law and the regulations. The gist of the matter is that the pension payment is taxable to the employee. Under one condition it is taxable to him when received, and under another condition it is taxable to him when made by the employer. There is nothing in the law to support the suggestion that Mr. Rich will not be required, at one time or another, to include his pension in gross income.

Buying Tax Exempt Securities

Finally we come to the second item in the whole list for which some basis of fact exists. The first was the travel expense of $2,500, much of which could probably be justified. This second item is tax-exempt interest, received on state bonds. The CIO wants to make all income fully taxable regardless of its source.

It is true that some of the state and local bonds are held by the well-to-do and the rich. Their preference for this class of investment is not so strong as the CIO and other opponents of the tax immunity rule try to make out. In a survey of estate tax returns made in 1945, it was found that capital stock constituted an increasing proportion of net estate as the estate grew larger.[4] This means that as personal fortunes grow in size, relatively more is invested in business securities. Hence, relatively less remains to be invested in tax-exempt bonds and other forms of property.

The reciprocal immunity of Federal and state agencies and instrumentalities from taxation is much older than the Federal income tax. It was not just invented to provide a tax loophole. Rather, it has long been recognized as a fundamental bulwark which protects the Federal government as well as the state government against tax encroachment by the other.

We need also, at this point, to consider the case of Johnny Poor, whose tax burden was said to have been made heavier by numerous state taxes. These taxes would be still heavier if the states and their subdivisions had to issue bonds that are subject to Federal taxes. In buying state bonds which carry a very low coupon rate because they are not subject to Federal income tax, Mr. Rich is contributing somewhat to the lightening of the local taxes which the Johnny Poors would otherwise have to pay.

If we appraise this broadside as a whole, it appears that, except for the tax-exempt interest and the possibility of a correct travel expense account, the whole thing is a bundle of misrepresentation. It is a phony interpretation of the tax law. The CIO has an unusual opportunity to educate its members, since they are prepared to listen to teaching from this source when they would suspect the same doctrine if it came from another source. Then why not do an honest job of educating, instead of a dishonest one? Even the CIO's own lawyers know that the fake claims set up in the piece under review would not stand up for an instant. If labor organizations want to keep the respect of their own members, to say nothing of the respect of others, they must be honest and fair. Only a very short-sighted policy can justify the kind of lying that is done in this dissertation. It can hold members and inflame them for a time, but too many wage earners are buying the Lasser book and other low-priced, competent commentaries on the income tax law for the long-run comfort of those who tell obvious lies about how the income tax works.

Those who make unprovable statements in derogation of the character of others are subject to suits for the recovery of appropriate damages. On this basis, the Bureau has good ground for a libel suit against the CIO, for the representations made are a libelous attack upon the honesty of the income tax examiners and upon the integrity of the Bureau itself.

2 *Income Tax Regulations 111*, Section 29.23(a)-11.

3 *Income Tax Regulations 111*, Section 29.24-1.

4 The Committee on Postwar Tax Policy, *A Tax Program for a Solvent America*, 1945, Chapter V, especially pages 77-81.

With John R. Kauffmann

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO. — Joseph L. Hummert is with John R. Kauffmann & Co., 511 Locust Street, members of the St. Louis Stock Exchange.

England Today

(Continued from page 1246)

have it limited. We hope therefore, as our Prime Minister has already indicated, that India and Burma as they become free, will freely and voluntarily decide to stay in the closest association with this organization of free and sovereign people which we call the British Commonwealth. We have good reasons for so hoping—Canada, South Africa, Australia, New Zealand — these are all free and sovereign. Let no one imagine that, and let no decent person say so, we have taken these decisions upon India, Burma and the three non-self-governing African territories, because as a Labor Government and as the British people this was our declared policy and because we felt we had an inescapable moral obligation to do these things. That is the reason and there is no other valid or relevant one, and Mr. Chairman it is here in the United States of America, above almost all places in the globe, that I expect this reason to be understood.

Freedom to India

I remember when I first came here as a student 15 years ago that Britain was attacked because Imperialist Britain, as we were then called, was not giving India its freedom. It is therefore a bit idle and rather ungracious to be worried because Britain now takes the step which has so long been urged upon us. They remain with us inside this strange and peculiarly British association of free peoples for whom neither apology nor explanation need be offered.

Foreign and Domestic Conditions

But when I affirm that these decisions are taken voluntarily I must also admit that at present we are forced to take decisions affecting our foreign policy which are directly related to our home economic conditions.

On this subject, Mr. Chairman, I am in difficulty. I want neither to whine nor to brag about our difficulties, neither to exaggerate them nor to minimize them, and this I find hard to handle. Perhaps I can give an example. This afternoon I received a cable from my wife. Now about what did she cable me? The parliamentary situation? Some new idea for introduction to Lake Success? Not at all. She just says "coal and coke arrived today. Much love. Shiela."

Now, my wife I assure you, although married to a politician, is a balanced creature. Why then does she cable me in this strange fashion? Because I left her with a small infant, a fair-sized house, no maid, no coke, no coal and a hard frost. There is a black-out. There was no heat in our homes and in our offices. The streets were blacked out. Many factories were at a standstill. Food was difficult. We were under siege. Britain was back in the atmosphere of bombs and blitz. And, you know, I felt guilty being out here just as we used to feel guilty and frustrated to be away from London while a raid was on. The people of Britain were fighting then. They've been fighting again these last few weeks, and everyone who knows them wants to be in there fighting with them. It was because of this feeling of emergency that my wife sent me the cable. But get this plain. Nobody believed in 1940 we were being beaten — except the creatures who were bombing us. And nobody who knows us thinks that there is the remotest chance of our being beaten now. The British people have a fight on their hands. They know that, and they know also that it is a continuation or an extension of the battle they took on in Sept. 1939.

Overcoming Present Emergency

Because that is the story. During the war, Britain, as you know, practically stripped itself of overseas investments. Before the war out of every pound sterling we spent on ourselves about nine shillings came from the jobs and the investments we had overseas. Well, to beat Hitler we sold all our investments and we turned all our people to fighting the war. We registered for national service every boy and man from the age of 17 to 65; at the end we registered every woman, married, widowed and single up to the age of 45, we turned over every machine we had and those which you gave us to this one job—beating Hitler and the Japanese. Well, you know, that does something to a country. We threw away our trade, we spent pretty well everything that as a country we had saved. We did more than that. We achieved the distinction of becoming more in the red than any nation ever has been. Should we apoligize for this? Not for a moment. Our poverty, our debt, is the badge of our freedom.

But the road back to solvency, back to the standard of living to which our people are entitled, back to the point where we can carry our full cash contribution to helping the nations who fought also for freedom, who suffered even more than we did — like Greece and Soviet Russia—it's a hard road and our people know it.

The Road Back to Solvency

The length of the road and the speed of recovery is not completely within the power of the British people. The basic requirements are British brains and British guts. We have these in abundance. But the recovery of Britain, the standard of life of our people, like the standard of life of the people of the United States is related to the standards of Europe, of Asia and of the Far East. The American people with customary generosity and foresight have already admitted that axiom. Their great contribution to UNRRA, the appropriations now before Congress are testimonies to that. Permit me to say that even in our straightened circumstances we too have recognized that and at a time when everyone in the country earning more than $650 a year is liable to pay income tax, we have made our contributions to every international relief and rehabilitation Fund. Our economic interdependence is recognized too, in the general great international structures which we are operating under the umbrella of the United Nations. We must all hold fast for our own safeties as well as for world safeties to that admission of interdependence. A hungry world is a dangerous world. Prosperity like peace is indivisible.

My country will continue to make this admission of interdependence, this determination to operate the United Nations machinery to its utmost, as the basis of our foreign policy. There are no areas in which we previously operated from which we mean to withdraw, and if we do not bring to these operations in the meantime the cash we previously did, let me say this immodestly—we bring more moral influence and greater reputation for spiritual stamina than we ever previously have possessed.

A Second European Renaissance

We will not squander that stamina nor dissipate this reputation gained so precariously with your help, and with the valorous and unstinted aid of our Dominion cousins in careless, shortsighted or unjust foreign policy. Dear, weary, greatly troubled Europe experiences a second rennaissance. In her perplexity she looks westwards towards Great Britain for guidance — for toleration in government, for a middle way in living, for a pattern for a society in which consent is the basic sanction.

Mr. Chairman, my little country led Europe once before when we had no cash. If necessary we can do so once more. To be a good world citizen we must first be a good European. May I be permitted to wonder if the United States is going to prove once more what without ceasing to be a good American she can also be a good European. I am encouraged to believe I know the answer, for I remember the words which President Truman spoke at San Francisco, words which your statesmen and mine have uttered in one shape or another in every historical crisis — "the responsibility of the Great Powers is to serve and not to dominate."

Attorney General Goldstein Defends Witch Hunt

(Continued from page 1248)

questionnaire was labeled "general" and was sent to a large number of dealers. We fell that a statement by you as to the general background and purpose of the questionnaire would allay these fears.

(2) The order, or subpoena, which accompanied the questionnaire requires filing of the questionnaire or, in lieu thereof, a personal appearance with books and documents on or before March 5, 1947. The subpoena states that failure to obey this requirement is a misdemeanor and punishable by a fine of $500 and one year imprisonment. We would like to know whether or not you will be willing to grant time extensions in appropriate cases upon application therefor. In this connection, we would like to point out that as the questionnaire calls for a great deal of information and came upon the securities dealers as a complete surprise, there may be many cases in which an extension of time would be only reasonable and fair.

(3) The general questionnaire contains several items which, if answered literally, would be unduly burdensome upon particular dealers and which would not be of corresponding value to you. We would like to know whether or not you would give consideration to amending the information required by the questionnaire upon application in individual cases where undue burden can be shown.

While our members have every desire to cooperate with your office, it is difficult for us to understand what purpose can be achieved by requiring dealers to file an earnings statement and list of customers except possibly in cases in which a suspicion of fraud exists based on other evidence.

We would indeed appreciate your advice with respect to the foregoing in order that our members may be advised accordingly.

Respectfully yours,

(Signed)
FRANCIS KERNAN,
Chairman,
District No. 13 Committee
New York City
March 3, 1947

Attorney General Goldstein's Reply to Mr. Kernan:

My dear Mr. Kernan:

Thank you for your letter of March 3, 1947, requesting information with regard to the questionnaire circulated by me amongst Upstate over-the-counter dealers. I am glad to cooperate with you as I have with such others as have inquired about this same matter. The circulation of the questionnaire is but a routine affair with the purpose of furnishing us with data from these dealers which is already known to us about our New York City dealers. Much of the questions deal with facts periodically gathered in similar fashion by your organization as well as by the Securities & Exchange Commission. I am charged with a similar responsibility and you can readily understand my need to be familiar with the same facts.

Before proceeding to answer the points raised in your letter, I should like to point out that the use of this type of questionnaire is well established in the history of the enforcement of the Martin Act. In 1927, Hon. Albert Ottinger, then Attorney General of the State of New York, employed this means to gather data about investment trusts, as a result of which he published his report on this industry entitled, "A Survey of the Activities and Forms of Investment Trust with Recommendations for Statutory Regulation by the New York State Department of Law." Subsequently in 1931 the study of investment trust was continued by Hon. John J. Bennett, Jr., Attorney General at that time, with a new questionnaire, much more comprehensive in nature and circulated in the same way amongst more than 300 organizations engaged in that industry.

The use of a questionnaire to determine facts about the security business or of a portion thereof is therefore well grounded in precedent established not only in my administration but in those of my predecessors as well. It is also well founded by law.

The last few phrases of Sec. 352 read as follows:

"* * * or he (meaning the Attorney General) believes it to be in the public interest that an investigation be made, he may in his discretion either require or permit such person, partnership, corporation, company, trust or association to file with him a statement in writing under oath or otherwise as to all the facts and circumstances concerning the subject matter which he believes it is to the public interest to investigate and for that purpose may prescribe forms upon which such statements shall be made. The Attorney General may also require such other data and information as he may deem relevant and may make such special and independent investigations as he may deem necessary in connection with this matter."

I believe it to be in the public interest that the Attorney General be aware of the financial condition of the security dealers who come under his jurisdiction by virtue of the Martin Act. It is also in the public interest that the Attorney General be fully aware of the type of business conducted by the individual dealers, their trade practices and the type of literature they use in soliciting the public to buy securities. Not only is it in the public interest that he should be aware of such things, but he would be derelict in the conduct of his office if he did not inform himself thereof and maintain his files currently as to the developments in the trade. The use of the questionnaire to obtain such data is desirable not only from the point of view that it is economical to the State of New York, but it also avoids the annoyance and the disturbance in the security industry that periodic inspection of dealer's books and records would cause.

I appreciate the interest of the National Association of Security Dealers in this matter as I am familiar with the worthy purposes of your organization and in the able method in which you are policing your membership. The office of the Attorney General, however, is concerned with the entire security industry in the State of New York which, as you know, includes security dealers who are not members of your organization. I will, therefore, answer your questions with the understanding that the same treatment be accorded to nonmembers of your organization as well as to your members.

(1) I wish it definitely understood that the fact that the questionnaire was accompanied by a subpoena is no implication of fraud on the part of any of its recipients. The purpose of the questionnaire was to gather information quickly and expeditiously about security dealers operating in the territory North of New York City so that it would be on file for future reference and for such other purposes that the questionnaire might disclose. The use of a subpoena in this connection, however, is quite usual in this office where we assume a judicial attitude with regard to complaints. The fact that a subpoena has been issued in this case or in any other case is not an implication or a charge of fraud. It is merely a method to obtain the necessary information pursuant to the Statute.

(2) This office will entertain any reasonable request for an adjournment of time in which the questionnaire is returnable. In the event that any dealer requires additional time in which to submit his questionnaire, an extension will be granted to him upon a request in writing to this office.

(3) Our office will be glad to consider any request for information in further explanation of the wording of the questionnaire. It may be that in isolated instances a literal answer to the questions may be burdensome. If the dealer feels that it is so, explanation of his situation will receive our immediate consideration.

I note your observation with regard to the filing of earning statements and lists of customers. We have found that considerable information can be obtained from an analysis of this type of data and it always has been helpful to us to obtain such information in the past. I feel that in the absence of situations making the furnishing of such information unduly burdensome that we should still require the earning statement as well as the names of customers who have margin accounts. You, of course, realize that under Sec. 352 of the General Business Law all information furnished us is confidential and the divulgence of such information by any person conducting such inquiry without my direction to do so constitutes a misdemeanor.

I appreciate your calling these difficulties to our attention and am glad to assist your organization in their solution.

Very truly yours,

(Signed)
NATHANIEL L. GOLDSTEIN,
Attorney General
Albany, N. Y.
March 3, 1947

Despite the plea of Attorney General Goldstein that he is authorized by statute to demand the information given under oath requested in the questionnaire, the "Chronicle" still adheres to its position that failure to specify the subject of the inquiry renders the proceeding illegal and defective and that it is a wholesale inquisition and a calumny against the securities industry. The "Chronicle" will expound its position further in the March 13, issue.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—John T. Blossom, Jr. has joined the staff of Merrill Lynch, Pierce, Fenner & Beane, Board of Trade Building.

With L. A. Huey Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—C. Gordon Safer has become affiliated with L. A. Huey Co., Omaha National Bank Building.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Dullness after decline not bullish on near-term future. Comfortable side lines should not be abandoned.

The ink was hardly dry on last week's column, in fact the column wasn't even in print, when the market spilled over into one of first breaks it has seen since its recovery from the break down to 170.

That the reaction appeared was no surprise. The market had signaled it for the past few weeks. It was only a question of time when it would occur. Boiled down it was a question of when rather than what. Now that the market has sold off the usual questions have cropped up. The most common is the one seeking a reason; the next is to ask how far down it will go and when it will be time to buy stocks. At least these are the questions various customer's men ask me and I assume these are the questions their customers ask them.

To answer these questions I would have to be some sort of an oracle. I'm not an oracle and just between ourselves I don't have any idea what the answers are. I realize this sounds like I'm shifting the responsibility but the market, which in the final analysis will give the real answer, doesn't give me any more definite clue. The inability of a market to advance after a long stretch of time usually means that the market will go down. It did go down and that was that.

Market action up to Monday night, when this is being written, shows more of the same, that is more down. Anything beyond that will have to come in the realm of wishful thinking. I would like very much to see prices turn around and go up. My desire is purely selfish. It is a lot easier to write about cheerful things than doleful ones. In addition, most people are basically bullish and prefer to read something which sustains their beliefs. The pessimist is usually alone and is shunned by the majority. And, anyway, it is too difficult to go short of them, and that was one of the reasons I didn't suggest selling them, even though there couldn't be any doubt of my bearishness during the past few weeks.

One of the underlying reasons for the decline is, paradoxically enough, the current sharp rise in various commodities. Explanation is that this rise in commodities will have a harmful effect on the buying power of the public. With buying power already cut due to price rise, this new rise will make it that much more difficult to find the money with which to buy the so-called heavy products like cars, washing machines, etc.

Of course this may be a lot of poppycock. I just threw it in as a thought. Usually when I reach for them I get my hands slapped. I probably will this time. For actually the only thing I know about this market is that it is not acting well, and hasn't acted well for the past few weeks. The rest of it is dream stuff.

Whether the market will go down still further, or steady itself and go on up from here, only time will tell. Right now the market is saying it is not through on the downside. But markets like women don't make irrevocable decisions. One day's action is sufficient in itself, but only for that day. Action on subsequent days may cancel everything.

You still hold two stocks, Anaconda and Dresser Industries. I'm a little tired of referring to these. It seems we've held them forever. In any case we've held them for longer than I recall holding any other stocks. Anaconda was bought at 37 with a stop at that same price. Dresser came in at 17 with a stop at 18. If by next week these stocks haven't improved their action to the point where they are better than that of the market, I shall probably ask you to get rid of them.

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.]

F. A. Truslow Takes Office as Curb Pres.

Francis Adams Truslow, New York attorney, well known for his wartime accomplishments in the service of the United States Government, on March 3 took office as the President of the New York Curb Exchange.

Francis A. Truslow

Mr. Truslow assumes his new duties in the chief executive position of the country's second largest security market at the age of 40. He has relinquished his responsibilities as a partner in the New York law firm of Reed, Truslow, Crane & deGive and will devote his full time to the affairs of the Curb Exchange.

The election of Mr. Truslow to the Curb presidency for a three-year term last December followed extended efforts by a special committee of exchange members to find a man qualified in all respects for the position. His ability as an administrator was underscored by his eminently successful prosecution of the government's rubber procurement and conservation program during the recent war.

Edward C. Werle, recently elected Chairman of the Board of Governors for the next year, has also been serving as Curb President pro tem since the retirement last month of Edwin Posner, Chairman and President pro tem from 1945 to 1947.

Inauguration of Mr. Truslow marks only the second time that the Curb Exchange has selected a paid president from outside the ranks of its own membership to fill the position on a full time basis. From April 1939 to June 1942, George P. Rea occupied the office.

Commenting March 2, on the installation of the new president, Mr. Werle said, "When Mr. Truslow takes over his duties, it is the general feeling that his action will signal the advent of a new era in the history of the New York Curb Exchange. I speak for the entire membership when I state that his selection has met with unanimously enthusiastic approval. Reaction to his appointment outside the exchange has been equally enthusiastic.

"It is widely agreed among our members that it will be a fine thing for the Curb to have a man of Mr. Truslow's caliber giving his entire energies to the administration of exchange affairs. Mr. Truslow, who has the confidence and personal friendship of many of the members and the staff through past association as exchange counsel, will have the complete and active cooperation of the exchange from the outset. We welcome him sincerely as President of the Curb Exchange."

Far from being a stranger to the securities business in general or to the functions and operations of security markets in particular, Mr. Truslow is very much at home in the business of the New York Curb Exchange. Since 1934, when the Securities and Exchange Act became law, he has been closely associated with the legal aspects of its operation. He participated actively on behalf of the Curb with the Securities and Exchange Commission and the Federal Reserve Board in the development of regulations and procedures under the 1934 Act.

In accepting the Curb presidency, Mr. Truslow made the following statement: "In assuming these duties, I have very much in mind that the services which are performed for our nation by the New York Curb Exchange are essential to the economic system under which we have the good fortune and the good sense to live.

"I look at this work as an opportunity to contribute to the sound development of these essential services, and thus to contribute to the strengthening of an economic system which has given to us, and will give to our children, a degree of individual freedom unequalled anywhere else in the world."

Sproul Reports Bank Earnings Drop in 1946

(Continued from page 1259)

payments on a larger volume of time deposits. Thereafter, until the close of 1945, net profits of all groups of banks rose steadily, though gains were largest in the smaller banks as a result of their higher percentage gains in deposits and in government security holdings. The subsequent postwar trends in earning assets (redemptions of government securities with the proceeds of War Loan deposit withdrawals and a rapid shrinkage in loans on government securities, which in some cases more than offset the growth in business, consumer and other loans) adversely affected earnings of the large New York City banks. Gross operating earnings of the large New York City banks rose only about one-third as much in 1946 as those of the other banks in the District. Also, proportionately greater declines occurred at the large New York City banks in the volume of profits realized on sales of securities. Moreover, these banks made more substantial adjustments in wages and salaries, and their total operating expenses took a larger percentage of their current earnings than in 1945.

Regarding salary and wage cost Mr. Sproul reported that a comparison of individual bank reports indicated that practically all member banks in the Second Federal Reserve District had higher salary expenditures during 1946. These increases reflect both an enlarged volume of employment and higher salary rates, and, on the average approximated the percentage growth in gross earnings. For all member banks the proportion of salaries and wages to gross income (Item 15) equaled 28.2% in 1946 compared with 28.4% in 1945 though in the large New York City banks, the ratio rose from 29.9% to 34.5%. The smaller New York City banks and the largest banks outside New York City showed small increases in this ratio, but most other groups of banks recorded small declines.

Mr. Sproul stated that the conservative policy of member banks with respect to dividend payments continued during 1946. Nevertheless, there was a tendency toward increased payments, and of the 798 member banks included in the compilation, 46% increased payments while 41% maintained the same level as a year ago, and the remainder, or 13%, decreased payments. Reduced payments in many cases resulted from retirement of preferred stock and thus cannot be construed as indicative of a change in dividend policy. Relative to average capital funds, dividend payments equaled 2.2% against 2.1% a year ago, and on the average amounted to only one-fifth of net profits. In the large New York City banks, dividend payments relative to capital funds remained unchanged, but transfers to surplus accounts were reduced considerably.

Export-Import Credit to Vulcan Iron Works

William McC. Martin, Jr., Chairman of the board of directors of the Export-Import Bank, announced on Feb. 28 that the Bank has approved an application from the Vulcan Iron Works of Wilkes-Barre, Pa., for a credit of $4,905,000 to finance, in participation with Vulcan Iron Works, the sale of 62 locomotives purchased by the Turkish State Railways at a total cost of $7,130,000. The credit was negotiated with the Bank by Benjamin S. Dowd, President of the Vulcan Iron Works, says the announcement from the Bank, which added:

"Mr. Martin pointed out that this is the first credit to be approved under the commitment made by the Bank to the Government of Turkey in July of last year to set aside $25 million for participation by the Bank in credits to be extended, on application of United States suppliers, to assist in financing exports to Turkey.

"The present credit, to assist in financing the export of locomotives to Turkey, represents approximately 80% of the contract value of the locomotives after allowance for a cash down payment. Advances under the credit are to be repaid in 21 equal payments beginning April 1, 1947, and ending Dec. 1, 1953, and will bear interest at the rate of 3½% per annum. The obligations of the Turkish State Railways are to be fully guaranteed by the Turkish Government."

Govt. Credit Agencies To Be Surveyed

The chairman of the House Banking Committee, Representative Jesse P. Wolcott (R.-Mich.) revealed on Feb. 26 that Congressional hearings on extending the lending powers of the Reconstruction Finance Corporation beyond June 30 will include a complete survey of Governmental creation and control of credit and of the various agencies carrying on these functions. Besides the RFC, the institutions which are to be surveyed, according to Washington advices to the New York "Herald Tribune," are the Federal Reserve System, Commodity Credit Corporation, the Export-Import Bank, and other agencies. All types of credits will come under the committee's scrutiny, Mr. Wolcott stated, including controls on consumer credit, inter-bank deposits and margins on stocks.

To Resume Service On Peruvian Bonds

Foreign Bondholders Protective Council, Inc. on March 3 was informed that legislation was passed by both house of the Peruvian Congress on Feb. 28, 1947, which would authorize the Executive authority of the Peruvian Government to resume service on the defaulted dollar and sterling bonds issued or guaranteed by the National Government. Until the Council has had time to give further consideration to the legislation, no comment is being made by the Council with respect thereto.

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.

Air-Borne Cargo Lines, Inc., New York

Feb. 14 (letter of notification) 214,890 shares ($1 par) common. Being offered for subscription to stockholders of record Feb. 20 at $1 a share. Rights expire 3 p.m. (EST.) March 11. 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. (3/24-28)

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 Potash & Chemical Corp., Los Angeles (3/18/19)**

Feb. 27 filed 70,000 shares (no par) cumulative preferred, series A. **Underwriters**—Kuhn, Loeb & Co.; Lehman Brothers; Glore, Forgan & Co., and A. G. Becker & Co., Inc. Price by amendment. **Proceeds**—For construction of addition to the company's power plant, estimated at $2,000,000; and for construction of new soda ash and borax plant, estimated at $3,850,000. **Business**—Production of heavy chemicals.

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). **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 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.

● **Anglo Saxon Mines, Inc., Georgetown, Colo.**

Feb. 24 (letter of notification) $50,000 of treasury shares. **Price**—20 cents a share. No underwriting. For mine development.

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.

● **Automatic Firing Corp., St. Louis, Mo.**

March 3 filed 25,000 shares ($10 par) 6% cumulative preferred, 25,000 shares ($1 par) class A common and 100,000 shares ($1 par) class B common. **Underwriter**—G. H. Walker & Co., St. Louis. **Price**—$11.25 for preferred share, $2.90 for class A common, and $3 for class B common. **Proceeds**—Preferred and class A common shares are being sold by company while class B common shares are being sold by five stockholders. Estimated net proceeds of $303,524 to the company will be used to increase working capital and to pay off short-term bank loans. **Business**—Assembly of coal stokers, automatic gas and oil burners.

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.

(Continued on page 1286)

NEW ISSUE CALENDAR

(Showing probable date of offering)

March 6, 1947

Chesapeake & Ohio Ry.
 Noon (EST) ________________Equip. Trust Ctfs.

March 7, 1947

Doman Frasier Helicopters, Inc.________Common
High Vacuum Processes Inc. ____Pfd. and Common
Universal Winding Co.________________Preferred
Wrisley (Allen B.) Co._________Common and Pfd.

March 10, 1947

Carlat Custodial Corp. and
 Carlat Development Corp. ________Capital Stock
Doman Frasier Helicopters, Inc.________Common
Hartford Heat Treating Corp.__Pfd. and Common
Mountain States Power Co.
 10:30 a.m. (CST) __________________Common
Northern Indiana Public Service Co.
 11 a.m. (EST) ____________________Common

March 11, 1947

Rothmoore Corp. ________________________Common

March 12, 1947

Farquhar (A. B.) Co. _________Debs. and Common
Wyatt Food Stores ____________________Preferred

March 13, 1947

Book-of-the-Month Club, Inc.________Capital Stock

March 17, 1947

Corey Corp. ___________________________Common
Iowa-Illinois Gas & Electric Co.______________Bonds
West Coast Airlines, Inc. ________________Common

March 18, 1947

American Potash & Chemical Corp. ____Preferred
Consolidated Edison Co. of N. Y., Inc.
 11 a.m. (EST) __________________Debentures

March 19, 1947

Textron Inc. ___________________________Preferred

March 24, 1947

American Iron & Machine Works
 Co. _______________Debs., Pfd. and Common

March 25, 1947

American Telephone & Telegraph Co.
 11:30 a.m. (EST) _______________Debentures
Continental Car-na-var Corp. _____________Common

(Continued from page 1285)

● **Bobbi Motor Car Corp., Birmingham, Ala.**
Mar. 3 (letter of notification) 60,000 shares ($1 par) common. **Price**—$5 a share. Company proposes to offer 12,997 shares of common in exchange for its unsecured promissory notes in the amount of $64,985 held by distributors of company's proposed products. **Underwriting**, the stock will be sold by officers and directors of the company. For completion of display automobiles now under construction.

Book-of-the-Month Club, Inc., N. Y. (3/13-14)
Oct. 28 filed 300,000 shares ($1.25 par) capital stock. **Underwriter**—Eastman, Dillon & Co., New York. **Offering**—Of the total, the company is selling 100,000 shares and six stockholders, including Harry Scherman, President, and Meredith Wood, Vice-President, are selling the remaining 200,000 shares. Price by amendment. **Proceeds**—Company will use its net proceeds for working capital to be used for expansion of inventories of paper and other raw materials and book inventories.

Boston Store of Chicago, Inc.
Sept. 10 filed 30,000 shares ($50 par) 5% cumulative preferred and 500,000 shares ($1 par) common. **Underwriters**—Paul H. Davis & Co. and Stroud & Co., Inc. **Offering**—Preferred will have non-detachable stock purchase warrants for purchase of 30,000 shares of common stock of the total common, 375,000 shares will be offered for sale for cash. 30,000 shares are reserved for issuance upon exercise of warrants attached to preferred and 95,000 shares are reserved for issuance upon exercise of outstanding warrants. **Price**—By amendment. **Proceeds**—Net proceeds, together with other funds, will be used to pay the company's 2% subordinated note in the principal amount of $5,268,750 and accrued interest. Offering date indefinite.

Bowman Gum, Inc., Philadelphia
Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—By amendment. **Proceeds**—Stock is being sold by shareholders who will receive proceeds.

Braunstein (Harry), Inc., Wilmington, Del.
Sept. 25 filed 12,500 shares ($25 par) 4½% cumulative convertible preferred stock and 50,000 shares (20¢ par) common stock. **Underwriter** — C. K. Pistell & Co., Inc., New York. **Price** — $25 a share for preferred and $11 a share for common. **Proceeds**—7,000 preferred shares are being sold by company, the remaining 5,500 preferred shares and all of the common are being sold by present stockholders. Net proceeds to the company, estimated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities. Offering date indefinite.

Brooklyn (N. Y.) Union Gas Co.
May 3 filed 70,000 shares of cumulative preferred stock ($100 par). **Underwriters**—To be filed by amendment. **Bids Rejected**—Company July 23 rejected two bids received for the stock. Blyth & Co., Inc., and F. S. Moseley & Co. and associates submitted a bid of 100.06 for a 4.30% dividend. Harriman Ripley & Co. and Mellon Securities Corp. bid 100.779 for a 4.40% dividend. Indefinitely postponed.

● **Burrillville Racing Association, Pawtucket, R. I.**
Feb. 27 filed 38,500 shares (no par) class A stock. **Underwriter**—Barrett & Co., Providence, R. I. **Offering**—The shares will be offered for subscription to class A stockholders at $20 a share, on the basis of one share for each share held. Unsubscribed shares will be offered publicly at $20 a share. **Price**—$20 a share. Proceeds will be used to finance the cost of completing a race track at Lincoln, R. I.

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.

● **Carlat Custodial Corp. and Carlat Development Corp., New York (3/10)**
March 3 (letter of notification) 1,500 shares of capital stock (no par) of each corporation. Underwriting, none. **Price**—$100 per unit of one share of each corporation. Proceeds for experimentation, development of patents etc.

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 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.

● **China Film Enterprises of America, Inc., New York**
Feb. 25 (letter of notification) 2,500 shares ($100 par) preferred and 2,500 shares ($1 par) common. **Price**—$100 a preferred share and $1 a common share. No underwriting. To finance film production and other purposes.

● **City Gas Co. of Phillipsburg, N. J.**
Feb. 26 (letter of notification) 750 shares of 5% cumulative preferred on behalf of Harry E. Carver. **Price**—$102.50 a share. No underwriting. Proceeds go to the selling stockholder.

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.

Columbia Aircraft Products Inc.
June 26 filed 150,000 shares ($4 par) 30c cumulative convertible preferred stock, convertible into common stock in the ratio initially of 1½ shares of common for each share of preferred. **Underwriter**—Floyd D. Cerf Co., Inc., Chicago. **Offering**—Company offered 59,585⅓ shares for subscription to present common stockholders of record Aug. 6 at $4.50 a share in the ratio of one share of preferred for each share of common held. Rights expired Aug. 20. Stockholders subscribed for 735 shares. The offering to common stockholders excluded the two principal stockholders who waived their rights to subscribe. The remaining 90,414⅔ shares and 58,850⅓ shares not subscribed to by common stockholders will be offered to the public through underwriters. **Price**—$5 a share. **Proceeds**—Approximately $50,000 for payment of Federal taxes; $250,000 for payment of Lincoln-RFC loan; $50,000 as a loan to Palmer Brothers Engines, Inc., a subsidiary; balance for purchase of machinery and equipment and working capital.

● **Columbia Machinery & Engineering Corp., Hamilton, O.**
Feb. 24 (letter of notification) 24,000 shares of common on behalf of James C. Hart. Price—At market. To be sold through Jackson & Co. and Flannery & Co., both of Youngstown, Ohio. Proceeds go to the selling stockholder.

● **Connecticut Light & Power Co., Hartford, Conn.**
Feb. 28 filed 164,018 shares (no par) common. **Underwriting**—None. **Offering**—Shares will be offered to common stockholders in the ratio of one share for each seven shares held. **Price**—$50 a share. **Proceeds**—For construction program. **Business**—Public utility.

Consolidated Edison Co. of N. Y., Inc. (3/18)
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. **Bids Invited**—Bids for the purchase of the bonds will be received up to 11 a.m. EST March 18 at company's office, 4 Irving Place, New York City.

Continental Car-na-var Corp. (3/25)
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 (3/12-14)
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.

● **Crader Oil Co., Inc., Oklahoma City, Okla.**
Feb. 24 (letter of notification) 40,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For purchase and development of oil and gas leases.

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.

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.

● **Disposable Bottle Corp., Washington, D. C.**
Feb. 24 (letter of notification) 94 shares each of preferred and common stocks. Offering in units of one share of preferred and one share of common at $200 per unit. No underwriting. For operating expenses.

● **Doman Frasier Helicopters, Inc., N. Y. (3/7)**
Feb. 28 (letter of notification) 21,700 shares of common stock (par $1), which includes recision offer for 6,000 shares. **Price**—$1 per share. Underwriting, none. Proceeds for construction and development of helicopters and other corporate purposes.

● **Doman Frasier Helicopters, Inc., N. Y. (3/10)**
March 3 (letter of notification) 30,000 shares of common stock (par $1). **Underwriter**—John Nickerson & Co., Inc., New York. **Price**—$1.25 per share. Proceeds for construction and development of helicopters and other corporate purposes.

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.

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.

● **Elkton (Ind.) Fireworks Co., Inc.**
Feb. 25 (letter of notification) 24,998 shares ($1 par) common. **Price**—$1 a share. No underwriting. To finance business of company.

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.

● **Equipment Finance Corp., Chicago**
Feb. 28 filed 8,025 shares ($100 par) 4% cumulative preferred, series 2, and 25,070 shares ($10 par) common. Underwriting — None. Offering—Company anticipates that the entire offering will be sold to its employees and officers. Price—Par. Proceeds—Estimated proceeds of $1,045,000 will be applied to working capital. Business—Finance business.

Farquhar (A. B.) Co., York, Pa. (3/12-14)
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 Co., 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.

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

Foreman Fabrics Corp., New York
July 29 filed 110,000 shares ($1 par) common stock, all outstanding. Underwriters—Cohu & Torrey. Price by amendment. Issue may be withdrawn.

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.

Glen Industries Inc., Milwaukee, Wis.
July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. Underwriters—Van Alstyne Noel & Co. Price by amendment. Proceeds—To selling stockholders. Offering temporarily postponed.

Glencair Mining Co. Ltd., Toronto, Can.
Oct. 2 filed 300,000 shares ($1 par) stock. Underwriter—Mark Daniels & Co., Toronto. Price—40 cents a share (Canadian Funds). Proceeds—For mine development.

Glensder Textile Corp., New York
Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. Underwriter — Van Alstyne, Noel & Co. Offering—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

● **Golden Seal Mining and Milling Co., Boise, Ida.**
Feb. 28 (letter of notification) $50,000 (25¢ par) common. Price—25 cents a share. Underwriting—President of company will sell stock for mine development and other expenses.

● **Goodrich (B. F.) Co., New York**
Feb. 25 (letter of notification) 4,285 shares (no par) common. Price—At market. It is expected that the stock will be sold through Goldman, Sachs & Co., New York. For additional working capital.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. Underwriters—Kalman & Co., Inc., St. Paul. Price—$25 a share. Proceeds — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
July 29 filed 18,500 shares at $4.25 cumulative preferred stock ($100 par), with non-detachable common stock purchase warrants entitling registered holders of shares of the $4.25 preferred to purchase at any time 64,750 shares of common stock at $16 a share at the ratio of 3½ common shares for each preferred share held; and 120,000 shares of $1 par common stock. Underwriters—H. M. Byllesby and Co., Inc. withdrew as underwriters. 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. Idenfinitely postponed.

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.

● **Hartford (Conn.) Heat Treating Corp. (3/10-14)**
Feb. 26 (letter of notification) 10,000 shares ($5 par) 6% cumulative preferred and 30,000 shares (10¢ par) common. Price—$5.20 a preferred share and 10 cents a common share. Underwriter—Henry C. Robinson & Co. For working capital.

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.

● **High Vacuum Processes Inc., Phila. (3/7)**
Feb. 28 (letter of notification) 9,200 shares ($25 par) non-cumulative preferred and 27,600 shares (5¢ par) common. Price—$25.15 per unit, consisting of one share of preferred and 3 shares of common. Underwriter—Parrish & Co., Philadelphia, Pa. For organization and past operating expenses and for equipment.

● **Highland-Surprise Consolidated Mining Co., Wallace, Ida.**
Feb. 24 (letter of notification) 85,000 shares of common. Price—37 cents a share. Underwriters—Shares to be sold through directors of company. For mine development.

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.

● **Interstate Chemical Co., Longview, Wash.**
Feb. 28 (letter of notification) 2,000 shares of 4% cumulative preferred ($100 par); 300 shares of class B. common ($100 par) and 7,000 shares of class A common (no par) to be given as bonus. Price—$100 each for preferred and class B stock. To be sold by officers of the company to purchase a 40% interest in Anderson Phosphate Mines Inc.

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.

● **Jacobs Sports Magazines, Inc., Rockingham, N. C.**
Feb. 24 (letter of notification) 3,000 shares ($100 par) common. Price—$100 a share. No underwriting. For additional working capital.

Jahn & 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 photo-mechanical and hand-engraving operations.

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.

● **Kenmar Manufacturing Co., Northampton, Pa.**
Feb. 26 (letter of notification) 30,000 shares (no par) common. Price—$10 a share. No underwriting. For construction of building, purchase of equipment and for working capital.

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.

● **Magnet Cove Barium Corp., Houston, Tex.**
Feb. 25 (letter of notification) 700 shares ($100 par) preferred. Price—$100 a share. No underwriting. For working capital.

Maine Public Service Co., Preque Isle, Me.
June 25 filed 150,000 shares ($10 par) capital stock. Underwriters—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; Kidder, Peabody & Co., and Blyth & Co., Inc. (jointly); Harriman Ripley & Co; Coffin & Burr and Merrill Lynch, Pierce, Fenner & Beane. Proceeds—Shares are being sold by Consolidated Electric and Gas Co. (parent), in compliance with geographic integration provisions of the Public Utility Holding Company Act. Hearing will be held before the SEC March 7 on the proposed sale of the stock by Consolidated.

● **Mays (J. W.) Inc., Brooklyn, N. Y.**
Feb. 28 filed 150,000 shares ($1 par) common. Underwriter—Burr & Co., Inc., New York. Price by amendment. Proceeds—Of the total, 100,000 shares are being sold by seven stockholders. The remaining 50,000 shares are being sold by the company, which will use its proceeds for general corporate purposes. Business—Operation of department store.

● **Mercury-Limited Airline, Inc., Chicago**
Feb. 24 (letter of notification) 5,000 shares ($10 par) 4½% cumulative preferred and 20,000 shares ($5 par) common. Price—$10 a preferred share and $5 a common share. No underwriting. For purchase of airplane and equipment.

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.

(Continued on page 1288)

(Continued from page 1287)

(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.

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.

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. (3/10)

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. **Bids Invited**—Standard Gas & Electric Co. is asking for bids for the purchase of the stock. Bids will be received up to 10:30 a.m., CST, March 10 at office of Standard, Room 1117, 231 So. La Salle St., Chicago.

Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par $1). **Underwriter**—Smith, Barney & Co. Price by amendment. **Proceeds**—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

● **National Guaranty Reserve Life Insurance Co., Jackson, Miss.**

Feb. 25 (letter of notification) $150,000 ($50 par) capital stock, to be sold at $100 a share. No underwriting. For capital stock and surplus.

● **Nemeth (Otto R.) Inc., Chicago**

Feb 27 (letter of notification) 73,250 shares (no par) common. **Price**—$3 a share. **Underwriter**—Union Security Co., Chicago. For general corporate purposes and to augment working capital.

● **New England Gas and Electric Association**

Feb. 28 filed $22,425,000 20-year collateral trust sinking fund bonds, series A, due 1967; 77,625 shares ($100 par) cumulative convertible preferred and 479,235 shares ($8 par) common. **Underwriters**—Bonds will be sold at competitive bidding. Probable bidders include The First Boston Corp.; Halsey, Stuart & Co. Inc.; White, Weld & Co., and Kidder, Peabody & Co. (jointly). Names of underwriters for the common and preferred will be supplied by amendment. **Proceeds**—Financing is part of recapitalization plan to retire outstanding indebtedness of $34,998,500. **Business**—Public utility holding company.

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 York Stocks, Inc., New York**

Feb. 27 filed 2,000,000 shares of special stock. **Underwriter**—Hugh W. Long and Co., Inc., is the exclusive wholesale distributor. **Price**—at market. **Proceeds**—For investment. **Business**—Investment business.

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. Issue being withdrawn.

Northern Indiana Public Service Co. (3/10)

Aug. 28 filed maximum of 384,026 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, 182,677 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.

Oro Yellowknife Gold Mines Ltd., Toronto, Can.

Jan. 7 filed 2,000,000 shares ($1 par) capital stock. **Underwriter**—Tellier & Co., New York. **Price**—60 cents a share. **Proceeds**—For expenses and exploration and development.

Pacific Power & Light Co., Portland, Ore.

July 10 filed 100,000 shares ($100 par) preferred stock. **Underwriters**—By amendment. Probable bidders include Blyth & Co., Inc., White, Weld & Co. and Smith, Barney & Co. (jointly); The First Boston Corp., W. C. Langley & Co.; Harriman Ripley & Co. **Offering**—Company proposes to issue the 100,000 shares of new preferred for the purpose of refinancing at a lower dividend rate the 67,009 outstanding preferred shares of Pacific and the 47,806 preferred shares of Northern Electric Co., in connection with the proposed merger of Northwestern into Pacific. In connection with the merger, the outstanding preferred stocks of Pacific and Northwestern will be exchanged share for share, with cash adjustments, for the new preferred stock of Pacific, the surviving corporation. **Offering price**—To be supplied by amendment.

Pal Blade Co., Inc., New York

June 28, 1946 filed 227,500 shares ($1 par) capital stock. **Underwriters** — F. Eberstadt & Co., Inc. **Offering** — 225,000 shares are outstanding and are being sold by 10 stockholders, and 2,500 shares are being sold by A. L. Marlman to all salaried employees. Issue may be withdrawn.

Palmetto Fibre Corp., Washington, D. C.

August 16 filed 4,000,000 shares (10¢ par) preference stock. **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.

● **Plymouth Rubber Co., Inc., Canton, Mass.**

Feb. 28 filed 300,000 shares ($2 par) common, to be offered by selling stockholders, and an additional 12,500 shares of outstanding common expected to be offered by two selling stockholders by April 30. **Underwriters**—F. Eberstadt & Co., Inc., and E. W. Clucas & Co., of New York. Price by amendment. **Proceeds**—Go to selling stockholders. **Business**—Manufacture of rubber products.

● **Porcupine Club, Ltd., Nassau, Bahama Islands**

Feb. 27 filed $125,000 5% first mortgage sinking fund bonds, due 1971. **Underwriting**—None. **Offering**—Of the total, $87,500 will be issued in exchange for an equal amount of outstanding 5% notes. The remaining $37,500 of bonds will be offered to club members. **Price**—The bonds will be issued in denominations of $1,000 and $500 for sale at their face amount. **Proceeds**—For repayment of bank loan and other corporate purposes. **Business**—Operation of race track.

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.

● **Protein Products Corp., Los Angeles**

Feb. 24 (letter of notification) 2,000 shares of common, of which 1,000 shares are to be sold for $100 per unit and the remaining 1,000 shares are to be issued to Emery W. Rutledge, William D. Leech and Charles H. Howe, for assignment of formula and to repay them for service and expenditures. No underwriting. To purchase laboratory and plant equipment.

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.

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.

● **Rider & Driver Publishing Co., Inc., New York**

Feb. 28 (letter of notification) 25,000 shares ($1 par) common. **Price**—$3 a share. Underwriting by Wm. S. Moore, President. For development of magazine.

Rothmoor Corp., Chicago (3/11-12)

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.

● **Seaboard & Western Airlines, Inc., New York**

Feb. 24 (letter of notification) 50,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For general working capital.

● **Selected American Shares, Inc., Chicago**

Feb. 28 filed 200,000 shares of common stock. **Underwriting**—Selected Investments Co., Chicago. Price—at market. **Proceeds**—For investment. **Business**—Investment business.

● **Slick Airways, Inc., San Antonio, Tex.**

Feb. 28 filed $1,500,000 4% convertible income debentures, due 1957, and 167,781.5 shares ($10 par) common. **Underwriting**—None. **Offering**—Debentures will be offered publicly at par, and the common will be offered to present common stockholders at $10 a share in the ratio of one share for each two now held. **Proceeds**—For general corporate funds, including purchase of additional cargo planes. **Business**—Operation of airline.

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.

● **South Carolina Electric & Gas Co., Columbia, S. C.**

March 3 (letter of notification) 975½ shares ($7.50 par) common on behalf of Marine Midland Trust Co., New York as co-trustee under pension trust agreement for benefit of pension trust. **Price**—$7⅝ a share. No underwriting.

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.

● **Southern Photo Sales, Inc., New Orleans, La.**
Feb. 28 (letter of notification) 305 shares of preference stock and 610 shares of common. **Price**—$100 per unit consisting of one share of preference stock and 2 shares of common. **Underwriter**—Charles Lob, New Orleans. For additional working capital.

● **Squirt Co., Beverly Hills, Calif.**
Feb. 26 (letter of notification) 30,000 shares of class B stock ($10 par). **Price**—$10 a share. No underwriting. For working capital.

Street & Smith Publications, Inc.
July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

● **Sunshine Silver, Lead & Gold Mines Co., Reno, Nev.**
Feb. 27 (letter of notification) 200,000 shares (10¢ par) common. **Price**—10 cents a share. No underwriting. For mine development.

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.

● **Terley Mining, Milling & Smelting Corp., Bremerton, Wash.**
Feb. 28 (letter of notification) 1,000,000 shares (10¢ par) common. **Price**—10 cents a share. **Underwriting**—To be sold by officers and directors of company for continued development of company's mining claims.

● **Textron Inc., Providence, R. I. (3/19/20)**
Feb. 28 filed 300,000 shares ($25 par) 5% convertible preferred. **Underwriters**—Blair & Co., Inc., New York, and Maxwell, Marshall & Co., Los Angeles. Price by amendment. **Proceeds**—For payment of $3,950,000 of bank loan notes; purchase of two notes issued by a subsidiary, Textron Southern Inc. in the amount of $1-000,000 each, and for working capital. **Business**—Textile business.

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 $56,906,590, exclusive of interest and dividends.

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. (3/7)
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.

● **Vertientes-Camaguey Sugar Co. of Cuba, Havana, Cuba**
Feb. 27 filed 116,416 shares ($6.50 par) common stock, U. S. currency. **Underwriter**—White, Weld & Co., New York. **Price**—By amendment. **Proceeds**—Shares are issued and outstanding and are being sold by stockholders. **Business**—Company is one of the largest producers of raw sugar in Cuba.

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.

● **Wagner Electric Corp., St. Louis, Mo.**
Feb. 27 filed 97,846 shares ($15 par) common. **Underwriters**—No underwriting. **Offering**—Shares will be offered for subscription to common stockholders of record March 20 at $30 a share in ratio of one share for each four shares held. Subscription warrants will expire April 9. Unsubscribed shares will be sold to persons designated by the directors. **Proceeds**—For general corporate purposes incident to expansion of business. **Business**—Company manufactures electric motors and for the automotive industry—hydraulic brakes.

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.

● **Wells Beverage Co., Inc., New York**
Feb. 28 filed 100,000 shares ($10 par) preferred stock. **Underwriting**—None. **Offering**—To be offered to buyers engaged in soft drink beverage business. **Price**—By amendment. **Proceeds**—To purchase operating equipment and bottling plants. **Business**: Soft drink beverage business.

West Coast Airlines, Inc., Seattle, Wash. (3/17-21)
Sept. 2 filed 245,000 shares ($1 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Price**—$7 a share. **Proceeds**—To repay short term bank loans for aircraft communication equipment part and shop facilities 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.

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 (3/7)
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 (3/12)
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. **Price**—$100 per share.

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 Tobacco Co., Inc.**
March 1 company announced that plans are under way to offer approximately 896,400 shares of class B stock (par $25) for subscription to common and common B stockholders on the basis of one new share for each five shares held. It is contemplated that stockholders of record April 3 will be given the right to subscribe for the stock and that rights will expire April 21. Morgan Stanley & Co. will be underwriters. Proceeds will be added to working capital.

● **Asbestos Manufacturing Co.**
Preferred and common stockholders of record Feb. 24 will be given the right to subscribe for additional common shares (par $1) at price to be later determined.

● **Baltimore & Ohio RR.**
March 3 company plans to issue invitations shortly for bids on $5,650,000 of equipment trust certificates, series T. The certificates will finance part of the purchase price of 2,000 new hopper cars costing an estimated $7,000,000. Probable bidders include Halsey, Stuart & Co., Inc., and Salomon Brothers & Hutzler.

● **Blumenthal (Sidney) & Co.**
Feb. 27 directors voted to sell publicly, through underwriters to be chosen, 60,000 shares of common stock. Proceeds would be used to reimburse company for preferred stock retired in 1946 and to increase working capital. Stockholders are to be asked at a meeting this month to abolish preemptive rights, in order to facilitate the public offering. The directors propose thereafter to declare a 50% stock dividend. A concurrent offering of 16,500 shares for the account of a large stockholder may be made. Probable underwriters include Union Securities Corp.

● **Central Illinois Public Service Co.**
Feb. 18, reported investment banking groups were being formed to compete for the approximately 463,000 shares of common stock owned by Halsey, Stuart & Co. Inc., which, it is expected, will be put up for sale at competitive bidding within the next few months. Probable bidders include Glore, Forgan & C.; Blyth & Co., Inc., The First Boston Corp., and Central Republic Co. (jointly); Lehman Brothers and Lazard Freres & Co. (jointly).

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,

(Continued on page 1290)

(Continued from page 1289)

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.

● **Container Corp. of America**

April 9 stockholders will vote on increasing authorized common stock from 1,000,000 to 1,500,000 shares and on creating an issue of $10,000,000 new preferred stock. Company intends to sell the preferred in the near future. Company has under way a program of plant improvements. Probable underwriter—Kidder, Peabody & Co.

● **du Pont (E. I.) de Nemours & Co.**

April 14 stockholders will vote on increasing authorized preferred from 3,00,000 to 4,000,000 shares and on raising the redemption price from $120 to $125 per share, if redeemed by April 25, 1952. Proceeds of the additional 1,000,000 shares of preferred stock would be used for expansion. Traditional underwriter, Morgan Stanley & Co.

● **Fairbanks Morse & Co.**

R. H. Morse, President, in the 1946 annual report states: "From the present outlook it is not unlikely that the company will be obliged to give consideration to a program of long-term financing to provide funds for expansion in diesel locomotive production and sales, to acquire certain government owned facilities and to provide additional working capital."

● **Ferguson (Harry), Inc.**

Feb. 26, early registration of 100,000 shares of preferred stock (par $50) and 250,000 shares of common stock, 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.

● **General Aviation Equipment Corp.**

Feb. 25 stockholders voted to increase authorized capital stock by 100,000 shares of preferred (par $10) and reclassification of present authorized and outstanding capital stock as common.

● **Georgia Hardwood Lumber Co.**

Feb. 20 reported company contemplates new financing, probably through stock issue, with Reynolds & Co. as underwriters.

● **New England Telephone & Telegraph Co.**

March 3 new financing by the company is indicated in the annual report for 1946. During 1947 it is estimated that nearly $70,000,000 will be expended in new construction as part of the company's program. Traditional underwriter, Morgan Stanley & Co.

● **Southern California Gas Co.**

Feb. 24 filed with California P. U. Commission application to issue and sell through competitive bidding $6,000,000 1st mortgage 3% bonds due 1977. Proceeds for new money. Probable bidders include Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.); White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Beane.

● **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.; Union Securities Corp.

● **Upper Peninsula Power Co.**

March 4 company asked the SEC for authority to issue and sell at competitive bidding $3,500,000 1st mtge. bonds series due 1977, 10,000 shares (par $100) preferred stock and 180,000 shares (par $10) common stock. Proceeds would be used to further the acquisition of properties. Probable bidders include: The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds); Blyth & Co., Inc.; Smith, Barney & Co.

Our Reporter's Report

The State of Michigan's enormous bonus bond issue, touching off a phase of financing which may run to a couple of billion dollars, attracted two bids but they weren't even close as these things are measured in the municipal field.

The huge banking syndicate which grew out of consolidation of the two groups originally formed to bid for the $200,000,000 loan, walked away with the business with its bid of 100.266 for 1½% coupon, or an indicated net interest cost of 1.47% to the issuer.

A second aggregation of potential distributors formed when the aforementioned two groups decided to combine, sought the serial bonds as a combination of 1½s and 1¾s, which figured out to a net interest cost of approximately 1.5698%.

With the bonds being reoffered at prices to yield from 0.65% on the one-year maturity to a price of 98 on the 1965 maturity, syndicate managers reported a brisk demand and predicted a quick marketing of the issue.

Being serials and large of intermediate maturity, this whole deal naturally has little appeal for the individual, or even the insurance company which must seek yield along with security. It appeals rather to the large banks and substantial trusts and appeared to be moving into just such channels.

Oklahoma Gas & Electric

The first phase of marketing Oklahoma Gas & Electric Co.'s common stock with the public was well under way today with the banking group which bid in 140,000 shares of the issue on Tuesday slated to reoffer the stock today.

The sale in competitive bidding brought out a total of four bids, two of them relatively close but the others sufficiently far away to suggest differences on pricing ideas.

The winning bid was $37.34 a share and the lowest tender $34.29. The second highest was $37.07, with a fourth group offering $36.78 a share. Inquiry among dealers indicated a good demand for the shares, with the prospect of early termination of the offering.

Standard Gas & Electric is contemplating the sale of 750,000 shares of the stock, but it is expected that this business will go over at least until the current block is well absorbed.

Short-Term Rates

The Federal Reserve Board, or at least the Chairman, Marriner S. Eccles, views interest rates paid by the Treasury on its short-term bills as "artificial."

Mr. Eccles told a House committee just that and declared that the rates should be raised to closer relationship with rates ruling on one-year certificates.

The latter now carry a ⅞% rate, against ⅜% for 90-day bills. He would limit the adjustment to the short-term field, however, and does not consider long-term government rates too low, although holding that returns here should not be "forced down any further."

N. Y. Telephone Prospects

Once the next phase of American Telephone & Telegraph's new financing for $200 millions is out of the way, more probably will be heard of plans of N. Y. Telephone to obtain needed capital.

This newest step in rebuilding telephone plant, which was held in abeyance during the war, is expected to bring the New York company into the market for around $100,000,000 along toward late spring.

Its recent report showed a plant deficiency of roughly that amount and it was indicated that projected outlay for new plant and equipment this year may total $140 millions.

Capitalization now includes only about $75,000,000 of mortgage bonds, or roughly 15% of the total of around $496,000,000.

Freight Traffic Handled Rose 3.6% in January

The volume of freight traffic handled by Class I railroads in 1947, measured in ton-miles of freight, increased 3.6% above the corresponding month of last year, according to the Association of American Railroads. Traffic in January amounted to approximately 50,000,000,000 ton-miles, according to preliminary estimates based on reports just received by the Association from Class I railroads.

The January freight traffic this year was nearly double that of the same month in 1939.

The following table summarizes revised statistics for the year 1946, and preliminary figures for January, 1947 (000 omitted):

	1946	1945	% Change
1st 11 mos.	542,377,789	634,376,276	—14.5
Mo. of Dec.	*49,000,000	46,295,117	+ 5.8
Total	591,400,000	680,671,393	—13.1
	1947	1946	
Mo. of Jan.	†50,000,000	48,241,378	+ 3.6

*Revised estimate. †Preliminary estimate.

New Capital Issues in Great Britain

The following statistics have been compiled by the Midland Bank Limited. These compilations of issues of new capital, which are subject to revision, *exclude* all borrowings by the British Government; shares issued to vendors; allotments arising from the capitalization of reserve funds and undivided profits; sales of already issued securities which add nothing to the capital resources of the company whose securities have been offered; issues for conversion or redemption of securities previously held in the United Kingdom; short-dated bills sold in anticipation of long-term borrowings; and loans of municipal and county authorities which are not specifically limited. In all cases the figures are based upon the prices of issue.

NEW CAPITAL ISSUES IN THE UNITED KINGDOM
[Compiled by the Midland Bank, Ltd.]
(£000 Omitted)

	Qtr. to March 31	Qtr. to June 30	Total for Half-Year to June 30	Qtr. to Sept. 30	Qtr. to Dec. 31	Total for Half-Year to Dec. 31	Year to Dec. 31
	English Pounds						
1936	60,612	48,372	108,984	40,143	68,094	108,237	217,221
1937	49,543	47,873	97,416	29,410	44,080	73,490	170,906
1938	33,105	40,946	74,051	19,021	25,026	44,047	118,098
1939	24,887	32,258	57,145	8,041	1,108	9,149	66,294
1940	2,203	865	3,068	533	495	1,028	4,096
1941	826	454	1,280	928	117	1,046	2,326
1942	157	481	638	2,147	1,100	3,247	3,885
1943	963	2,768	3,731	4,304	549	4,852	8,583
1944	1,967	310	2,277	1,979	3,320	5,299	7,576
1945	1,872	5,062	6,934	4,451	9,083	13,534	20,468
1946	17,521	29,034	46,555	53,706	----	----	----

	Total	United Kingdom	British Overseas Countries	Foreign Countries
	(English Pounds—000's Omitted)			
1936, 1st half	108,984	99,733	8,478	773
2d half	108,237	91,075	14,875	2,287
1937, 1st half	97,416	80,661	15,633	1,122
2d half	73,490	58,107	9,305	6,078
1938, 1st half	74,051	56,139	14,916	2,996
2d half	44,046	36,607	6,368	1,071
1939, 1st half	57,145	39,906	17,018	221
2d half	9,149	3,429	1,295	4,425
1940, 1st half	3,068	2,716	157	195
2d half	1,028	828	200	----
1941, 1st half	1,280	1,031	249	----
2d half	1,046	896	150	----
1942, 1st half	638	638	----	----
2d half	3,247	3,211	36	----
1943, 1st half	3,731	2,503	588	639
2d half	4,852	4,555	57	240
1944, 1st half	2,277	2,149	128	----
2d half	5,299	4,539	269	491
1945, 1st half	6,934	5,271	642	1,021
2d half	13,534	11,690	1,844	----
1946, 1st half	46,555	39,862	6,418	275

	First Six Months	July	Aug.	Sept.	Oct.	Nov.	Total for 11 Months to Nov. 30
	(English Pounds—000's Omitted)						
1936	108,984	24,403	6,194	9,546	26,944	20,939	197,010
1937	97,416	20,305	7,141	1,964	13,855	12,400	153,081
1938	74,051	15,188	2,184	1,649	2,628	12,803	108,502
1939	57,145	2,800	5,177	64	67	869	66,122
1946	46,555	31,460	8,968	13,278	6,098	9,063	115,422

House Hearings on Extending U. S. Rub. Program

The House Armed Services Committee, which is considering legislation to continue for a year beyond March 31 the Government's authority to purchase crude rubber and allocate it for use in this country, was told by spokesmen for the rubber industry on Feb. 26 that unless that power is extended, the synthetic rubber industry built up to meet wartime crude shortages, may be forced out of business through inability to compete with imported natural products. There is general agreement among committee members, Associated Press dispatches stated, that the Government authority must be continued, but opinions differ as to whether private purchasers should be allowed to buy crude in world markets.

According to the author of one of the extension proposals, Representative Leslie C. Arends (R.-Ill.), "we almost lost the war" because of the rubber shortage. He urged that the Government continue to be the sole United States purchaser of crude, declaring that development of the $700,000,000 synthetic rubber industry would make the United States self-sufficient in future years. From the Associated Press we quote:

Representative Fred L. Crawford (R.-Mich.) advocated extension of government allocation powers but he opposed continuance of its exclusive purchasing authority on the ground that the government has not been able to obtain higher grades of crude abroad. While existing world supplies are adequate for all foreseeable needs, Representative Crawford said, the synthetic industry should be developed "as an insurance" against any future emergency.

Harvey S. Firestone Jr., President of Firestone Tire & Rubber Co., called the synthetic industry "the best paid-up insurance policy which this country ever had." Its maintenance, he said, is "vital to the national security and economic independence of this country." Mr. Firestone advocated removal of the government's exclusive authority to purchase crude.

W. S. Richardson, President of B. F. Goodrich Chemical Co., declared that extension of the present rubber program is "critically urgent as a national security measure." Mr. Richardson offered this four-point program:

1. The government's present economical facilities for manufacture of American rubber should be maintained in standby condition ready to be run on short notice.

2. A sufficient tonnage of such rubber for the maintenance of national security should be made and used in the country each year.

3. A sound long-range American rubber program should be established by adequate legislation before any basic change is made in the existing rubber programs, and

4. Beyond these provisions for national security, the nation's long-range rubber program should be based on the principle of competitive enterprise.

Truman Reiterates Non-Political Conduct Of Presidency

President Truman on Feb. 13 took occasion to say at a news conference in view of certain comment regarding the Presidency, that "there has been no change in my attitude since the statement I read to you on Nov. 11, 1946." In his Feb. 13 statement Mr. Truman went on to say:

The Presidency is being conducted now just as it was then. It will continue to be so conducted. That is to say, I intend to continue to act in this office as the agent of the American people, without regard to my personal political fortunes. I repeat what I said on Nov. 11th when I pledged the Executive to cooperate in every proper manner with the Congress:

As President of the United States I am guided by a simple formula: to do in all cases, from day to day, without regard to narrow political considerations, what seems to me to be best for the welfare of all our people.

Truckloadings' Volume for Full Year 1946 Second Only to War-Time Record Set in 1943

The volume of freight transported by motor carriers in December, 1946, was at the highest level of any December of record, according to the American Trucking Associations, Inc., which further reports as follows:

Although the volume in December was 1.6% under November tonnage, it was 32.4% higher than in December, 1945. The ATA index figure for the month, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 189. The highest previous December index was the 185 recorded in December, 1942.

Bearing out earlier predictions, the truckloading index for the full year of 1946 reached 184, the highest of any peacetime year and exceeded only by the 186 established in the record war-year 1943.

W. A. Bresnahan, ATA's Research Director, reported that one factor in the high volume of tonnage moved by truck in 1946 was increased movement of freight in less-than-carload lots to meet urgent consumer demand for many short articles as quickly as they were produced. "It is significant," he said, "that while railroad carloadings as a whole were down in 1946 as compared with 1945, their carloadings of merchandise in less-carload lots increased more than 14%. Moreover, in the last half of 1946 the average rail loading per car of less-carload freight was greather than in 1945, despite relaxation of Government requirements governing minimum loading of cars."

Comparable reports received by ATA from 185 carriers in 33 states showed these carriers transported an aggregate of 1,868,907 tons in December, as against 1,898,469 tons in November and 1,411,873 tons in December, 1945.

Approximately 88% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category decreased 1.1% below November, but increased 33.0% over December, 1945.

Transportation of petroleum products, accounting for about 7% of the total tonnage reported, showed increases of 2.4% over November and 17.3% over December, 1945.

Carriers of iron and steel hauled about 2% of the total tonnage. Their traffic volume decreased 3.6% below November but increased 64.2% over December, 1945.

About 3% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, textiles, groceries, wood, motor vehicle parts, motor vehicles, school supplies, household goods and chemicals. Tonnage in this class decreased 18.9% below November, but increased 31.7% over December, 1945.

Mtge. Bankers and NYU Sponsor Conference

A Conference on the Pattern of Free Enterprise in the Postwar Era, sponsored by the Mortgage Bankers Association of America and the graduate school of business administration of New York University, will be held in New York March 19 to 21 and will have for its principal objective an examination of centralized economic control versus free enterprise. The joint announcement made March 1 by Guy T. O. Hollyday, Baltimore, Association President and Dr. G. Rowland Collins, Dean of the School, said the Conference will be primarily concerned with two points — "interference with the fluctuations that take place in free markets and the impairment of the opportunity for profit."

University faculty members to address the Conference include Dr. Jules I. Bogen, Professor of Finance and Editor of the New York "Journal of Commerce"; Dr. Lewis H. Haney, Professor of Economics; Dr. Jules Backman, Associate Professor of Economics; Dr. Walter E. Spahr, Professor of Economics and Secretary, Economists National Committee on Monetary Policy; Dr. Paul Studenski, Professor of Economics and Tax Consultant to the New York State Division of the Budget; Dr. Marcus Nadler, Professor of Finance and Consulting Economist, Central Hanover Bank and Trust Company; Marcus R. Gainsbrugh, instructor in economics, and economist, National Industrial Conference Board; Dr. Ludwig Mises, Visiting Professor of Economics; C. Elliott Smith, Professor of Real Estate; Dr. Herbert B. Dorau, Professor of Economics; Dr. Thomas J. Anderson, Jr., Associate Professor of Economics; Dr. Spencer Miller, Jr., lecturer on management, and highway commissioner of New Jersey; and Dean Collins.

Mr. Hollyday and Milton T. MacDonald, Jersey City, Chairman of the Association's educational committee, will preside at dinner and luncheon meetings to be held during the Conference.

Mortgage bankers from all sections of the United States will attend. The meeting is thought to be the first effort of its kind and is a part of the educational program which the Association has under way for the past three years.

DIVIDEND NOTICES

AMERICAN MANUFACTURING COMPANY
Noble and West Streets
Brooklyn, New York

The Board of Directors of the American Manufacturing Company has declared a dividend of 25c per share on the Common Stock, payable April 1, 1947 to Stockholders of Record at the close of business March 10, 1947. The stock record books will be closed for the purpose of transfer of Common Stock at the close of business March 10, 1947 until March 26, 1947.

ROBERT B. BROWN, Treasurer.

AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 164
Common Dividend No. 151

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending March 31, 1947, and a dividend of 40¢ per share on the Common Stock have been declared. Both dividends are payable April 1, 1947, to holders of record March 11, 1947. The stock transfer books will remain open.

W. F. COLCLOUGH, JR.
February 26, 1947 Secretary

The Borden Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Wednesday, April 16, 1947, at 11:00 o'clock A.M. (Eastern Standard Time) at 43 Park Avenue, Flemington, Hunterdon County, New Jersey.

Only stockholders of record at the close of business on Tuesday, March 18, 1947, will be entitled to vote at said meeting, notwithstanding any subsequent transfers of stock.

The stock transfer books will not be closed.

The Borden Company
THEODORE D. WAIBEL, *Secretary*

CHEMICALS
TEXTILES
PLASTICS

CELANESE
CORPORATION OF AMERICA
180 Madison Avenue, New York 16, N. Y.

THE Board of Directors has this day declared the following dividends:

FIRST PREFERRED STOCK $4.75 SERIES

The regular quarterly dividend for the current quarter of $1.18¾ per share, payable April 1, 1947 to holders of record at the close of business March 12, 1947.

7% SECOND PREFERRED STOCK

The regular quarterly dividend for the current quarter of $1.75 per share, payable April 1, 1947 to holders of record at the close of business March 12, 1947.

COMMON STOCK

25 cents per share, payable March 31, 1947 to holders of record at the close of business March 12, 1947.

R. O. GILBERT
Secretary
February 27, 1947.

DIVIDEND NOTICES

ANACONDA COPPER MINING CO.
25 BROADWAY
New York 4, N. Y., February 27, 1947
DIVIDEND NO. 155

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of Fifty Cents (50c) per share upon its Capital Stock of the par value of $50 per share, payable March 28, 1947, to holders of such shares of record at the close of business at 3 o'clock P.M., on March 10, 1947.

C. EARLE MORAN, Secretary.

CALUMET AND HECLA CONSOLIDATED COPPER COMPANY
DIVIDEND NO. 58

A dividend of ten cents ($0.10) per share will be paid on March 20, 1947, to holders of the outstanding Capital Stock of the Calumet and Hecla Consolidated Copper Company of record at the close of business March 6, 1947. Checks will be mailed from the Old Colony Trust Company, Boston, Mass.

J. H. ELLIOTT, Secretary
Boston, February 27, 1947

AMERICAN LOCOMOTIVE COMPANY
30 Church Street Alco New York 8, N. Y.

PREFERRED DIVIDEND No. 155
COMMON DIVIDEND No. 87

Dividends of one dollar seventy five cents ($1.75) per share on the Preferred Stock and of thirty five cents (35¢) per share on the Common Stock of this Company have been declared payable April 1, 1947 to holders of record at the close of business on March 13, 1947. Transfer books will not be closed.

CARL A. SUNDBERG
February 27, 1947 Secretary

B. T. BABBITT, INC.

The Board of Directors of B. T. Babbitt, Inc. has declared a regular quarterly dividend of 30c per share on the Common Stock of the Company, payable on April 1, 1947 to stockholders of record at the close of business on March 10, 1947.

JOHN E. SAMMOND, *Treasurer.*
February 28, 1947

IRVING TRUST COMPANY
One Wall Street, New York

February 27, 1947

The Board of Directors has this day declared a quarterly dividend of 15 cents per share on the capital stock of this Company, par $10., payable April 1, 1947, to stockholders of record at the close of business March 10, 1947.

STEPHEN G. KENT, *Secretary*

DIVIDEND NOTICES

GUARANTY TRUST COMPANY OF NEW YORK

New York, March 5, 1947.

The Board of Directors has declared a quarterly dividend of Three Dollars ($3.) per share on the Capital Stock of this Company for the quarter ending March 31, 1947, payable on April 1, 1947 to stockholders of record at the close of business March 12, 1947.

MATTHEW T. MURRAY, Secretary.

HOMESTAKE MINING COMPANY
DIVIDEND No. 863

The Board of Directors has declared dividend No. 863 of fifty cents ($.50) per share of $12.50 par value Capital Stock, payable March 20, 1947 to stockholders of record 3:00 o'clock P. M., March 10, 1947.

Checks will be mailed by Irving Trust Company, Dividend Disbursing Agent.

JOHN W. HAMILTON, *Secretary.*
February 25, 1947

DIVIDEND NOTICE
WESTERN TABLET & STATIONERY CORPORATION

Notice is hereby given that a dividend at the rate of $.50 per share on the issued and outstanding shares without par value of the Common Stock of Western Tablet & Stationery Corporation has been declared payable on April 10, 1947, to the holders of record of such shares at the close of business on March 26, 1947.

E. H. BACH, Treasurer.

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of 50 cents per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable April 1, 1947, to stockholders of record at the close of business March 10, 1947. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, *Treasurer.*
February 27, 1947.

OTIS ELEVATOR COMPANY

PREFERRED DIVIDEND No. 193

A quarterly dividend of $1.50 per share on the Preferred Stock has been declared payable March 20, 1947, to stockholders of record at the close of business on March 8, 1947.

Checks will be mailed.

C. A. SANFORD, *Treasurer*
New York, February 26, 1947.

THE TEXAS COMPANY

178th Consecutive Dividend paid by The Texas Company and its predecessor.

A dividend of 50¢ per share or two per cent (2%) on par value of the shares of The Texas Company has been declared this day, payable on April 1, 1947, to stockholders of record as shown by the books of the company at the close of business on February 28, 1947. The stock transfer books will remain open.

L. H. LINDEMAN
January 31, 1947 *Treasurer*

The Chesapeake and Ohio Railway Co.

A dividend for the first quarter of 1947 of seventy-five cents per share on $25 par common stock will be paid April 1, 1947, to stockholders of record at close of business March 7, 1947. Transfer books will not close.

H. F. LOHMEYER, *Secretary and Treasurer*

State Mediation Board Official Obtains Quick Settlement of New York Cotton Exchange Strike

(Continued from page 1252)

however, lost out in its demand for a so-called "escape clause" permitting employees to leave the union within a specified time if they desired to do so. In fact, according to the union interpretation of what happened at the meeting, the Monday night negotiations got hot when this "escape clause" was brought up for consideration by the Exchange representatives.

Maintenance employees won a five-day 40-hour week replacing the six-day 40-hour week which has been in effect. The Exchange explains that this reduction in the number of working days means only that working days will be staggered in such a way that these employees will work only five days individually but over a six-day period collectively. The union also won increased vacation benefits, that is, a one week's vacation after six months, two weeks after a year and three weeks after 15 years. Provision was also made for possible cancellation of contract by either party on 30 day notice—exactly like a provision in the New York Stock Exchange contract. The union insisted upon this provision because it said it did not ever want to be in the position of having to walk through a picket line of its own members in order to live up to the terms of a contract.

One of the surprises of the dispute, so far as the average observer in the Wall Street district was concerned, was the support the U.F.E. received from the Seafarers' International Union. The fact that the seamen have their headquarters diagonally across the street from the Cotton Exchange might easily explain the apparent case with which it was obviously found possible to get great numbers of seafaring men, largely unacquainted with the issues involved in the controversy and, for that matter, with the nature of the business done by the Exchange, to join the picket line. That this is probably not the full story, however, is seen in the statement of Paul Hall, port agent of the S.I.U., to the effect that the union was prepared to strip all the ships in New York harbor if necessary to force acceptance of the financial employees' demand. The U.F.E. itself on Tuesday, engaged in the first strike of its career, pointed to its recent affiliation with the A.F.L. as the mainspring of the widespread support it was receiving. The U.F.E. said it was getting offers of aid of all kinds from A.F.L. unions all over the city, including the offer of groceries. Police who were detailed to guard the buildings and keep order said the picket line was one of the noisiest they had ever seen. There is no doubt of course that the seamen and the others did help to swell the ranks of the pickets which had it consisted only of the unionized employees of the Cotton Exchange would never have exceeded 70 to 100 or so at any time. The union claimed the employees of the other Exchanges and of the brokerage houses of the district supported their struggle but the great preponderance of seamen in the picket line gave to the outsiders anyhow the feeling that in this controversy the seamen were the UFE's best friends.

At the invitation of A. M. Kidder & Co., representatives of the union met with representatives of the firm last Friday to continue discussion of a possible new contract. Though the union according to the firm, has been saying that the company was refusing to negotiate, the company itself claims it never closed its doors to the union's representatives. Last Friday, the firm said it was planning to grant the merit raises and other wage adjustments to its employees it had the intention of doing before the union was chosen as collective bargaining agent in a State Labor Board election regardless of whether the union agreed to a contract or not and that it was willing to include these salary changes in a contract. The union has not yet officially replied to A. M. Kidder's offer but one union official said the firm's proposal was "worse" than the previous offer the company had made. He said A. M. Kidder's new offer would provide $1 to $2 a week raises for only 37 employees. The New York State Mediation Board which has already attempted to seek a settlement of this dispute will try again now, the union reports, to find some basis for settlement.

In two two-to-one decisions handed down simultaneously by the State Labor Board last Friday, the Financial Employees Guild, CIO, lost petitions for recognition as collective bargaining agent in branches of two banks, the Bank of the Manhattan Company and the Greenpoint Savings Bank. A dissenting opinion was rendered in each case also by Rev. William J. Kelley, Chairman of the Board. The union has announced, however, that even before the decisions were handed down it had petitioned the National Labor Relations Board to take the cases under its jurisdiction. The union says the Bank of the Manhattan Company, for instance, had argued right along that the State Labor Board had no jurisdiction over the cases, being disputes involving financial institutions, and so it decided to seek a change in jurisdiction itself.

In the majority opinion on the Bank of the Manhattan Company case, Keith Lorenz and Meyer Goldberg declared, in part:

"We are sure that the Act never intended to hinder, disrupt or put obstacles in the way of any organization to do business in the State of New York. If we found otherwise, we would disrupt the administrative organization of this enterprise, or any enterprise similarly organized, to the detriment not only of the employer, but the employees as well. We would penalize the employer and the Act was never intended to be punitive either to labor or management.

"In conclusion, on this question, we wish to say that in such cases, involving highly centralized enterprises with branches not extending beyond the New York metropolitan area, when the employees in a comparatively small segment seek certification, it is not unfair to compel them to wait until there is a deep, similar interest manifested by the various employees in the organization as a whole. We are of the belief that the creation of the unit sought would be an opening wedge for other similar cases, with the effect of causing, not the peace and harmony contemplated by the Act, but general chaos and confusion in the banking industry as a whole.

"We are of the opinion, therefore, that a unit consisting of the employees in the Uptown Division would not be appropriate."

In his dissenting opinion, Father Kelley said, in part:

"On any ground, legal or ethical, I find myself bound to regard as an appropriate unit the non-supervisory employees of the Uptown Division.

"Industrial peace can be achieved only through justice. It can never be achieved through a denial of justice. Any attempt to do so will sooner or later be followed by the ordinary consequences of injustice. In this case justice must be based primarily on a recognition of the rights of the employees involved. The right of employees to organize and to bargain collectively was not created by the Act. This right was, in the words of Chief Justice Hughes, a 'fundamental right,' long recognized at common law. (Amalgamted Utility Workers v. Consolidated Edison Co., 309 U. S. 261, 263-4). This right is now embodied in the State Constitution and in the Act. The employees involved herein have resorted to the peaceful machinery provided under the Act for the protection and enforcement of that right. The Board should determine their desires concerning representation for the purposes of collective bargaining.

"Accordingly, the petition should not be dismissed."

Decisions in the Greenpoint Savings Bank case were similar.

The Financial Employees Guild has notified the National Safety Bank that it wants to bargain collectively with it for its 250 employees in both the main office and the branches. Likewise the union has notified the Trade Bank and Trust Company that it wants to bargain collectively for its 150 employees in both the main office and branches.

W. K. Van Hise Officer of Parker-Weissenborn

NEWARK, N. J. — Parker & Weissenborn, Incorporated, 24 Commerce Street, announce that W. K. Van Hise, Lieutenant Commander, U.S.N.R., has become associated with the company as secretary and treasurer.

Central Secs. Incorporates

OMAHA, NEB. — The Central Securities Co., First National Bank Building, is now doing business as a corporation.

Proprietorship

WATERTOWN, N. Y. — G. A. Blaiklock is now conducting his investment business in Watertown as a sole propiertorship. He was previously president and treasurer of G. A. Blaiklock & Co., Inc. Offices are in the Woolworth Building.