PERIODICAL ROOM
GENERAL LIBRARY
UNIV. OF MICH.

MAR 14 1947

Final Edition

ESTABLISHED 1839

in 2 Sections – Section 1

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 165 Number 4576 New York, N. Y., Thursday, March 13, 1947 Price 30 Cents a Copy

Truman Asks Aid For Both Greece And Turkey

President tells Congress help is essential to curb terrorist activities led by Communists. Says $400,000,000 is essential to support a free people who are resisting subjugation by armed minorities or by outside pressures. Holds collapse or loss of independence would be disastrous for the world.

President Harry S. Truman appeared on March 12 before a joint session of the House and Senate and in a twenty-minute message requested authority to advance up to $400,000,000 to Greece and Turkey to enable the governments of these countries to resist terrorism of minority groups led by Communists and outside pressures. He stressed the importance of supporting free peoples to maintain their independence and to avoid subjugation by outside powers, though he made no direct mention of Russian activities. The President maintained one of the primary objectives of U. S. foreign policy is the creation of conditions in which we and other nations will be able

President Truman

(Continued on page 1417)

A Challenge to Pessimism

By ARTHUR J. NEUMARK
Partner, H. Hentz & Co.

Security analyst maintains prevailing pessimism is not warranted. Believes United States will not suffer unduly from international situation as we are supply source for world rehabilitation, and British weakness is healthier for being aired. Regarding domestic worries, Mr. Neumark holds overproduction fear is timeworn fallacy. Consumer purchasing power will not decline, break-even profit points are not unduly high, cost and wage spiral is tapering off, and there is no danger of farm commodity collapse. Concludes stock market, with present low price-earnings ratios, is refusing to recognize excellent business prospects.

From birth to date this young and growing country has emblazoned an unparalleled record of well-being for its citizens. The world's most powerful and prosperous industrial machine has been created, which together with a strong agricultural segment of the country has brought to the American people the highest standard of living extant.

Arthur J. Neumark

The history of this country's growth is not a saga of tranquillity. The records are filled with all the pangs of growing pains and the major shocks of soul-searing depressions. Time and again our system has been shaken to its foundations and psychology has plumbed the depths of despair. In each depression there existed circumstances which gripped the timid with exaggerated fears and whetted the appetites of the prophets of gloom. Many times our capacity to produce far exceeded what we could possibly consume and technological developments bid

(Continued on page 1406)

Permanent Authority for FR to Buy Bonds from Treasury Dangerous

By WALTER E. SPAHR
Professor of Economics, New York University
Executive Vice-President, Economists' National Committee on Monetary Policy

Dr. Spahr opposes measure in Congress to make permanent the temporary authority of Reserve Banks to purchase up to $5 billions of government securities directly from the Treasury. Contends this would deprive people of control over government borrowing, and holds Federal Reserve should acquire bonds only in the open market. Holds bill would foster managed economy and destroy economic and political democracy. Does not object to Treasury overdraft arrangement with Federal Reserve.

Should Congress make permanent the temporary authority of the Reserve Banks to purchase up to five billion dollars of government securities directly from the Treasury? The answer, in the opinion of this author, is "No." The testimony given by Chairman Eccles of the Board of Governors of the Federal Reserve System in support of the Wolcott Bill, H.R. 2233, March 3, 1947, illustrates rather well the basic issue involved.

Walter E. Spahr

That issue is this: Shall the borrowings of the U. S. Treasury (with the exception of "one-day"

(Continued on page 1393)

No Authority for Pegging Interest Rates

By AUBREY G. LANSTON*
Vice-President, First Boston Corporation

Mr. Lanston points out pegging of interest rates was a wartime usurpation of Federal Reserve Act and, now, under peace conditions there is no authority to peg interest rates. Holds Federal Reserve Act specifically insulates banking and credit from national politics and asserts Federal Reserve policy has induced higher living costs and promoted debt monetization by leading banks to buy long-term bonds. Sees elasticity of currency destroyed and favors a discount and U. S. certificate rate of 1% or higher. Denies higher rate will increase Treasury costs and points to taxability of interest payments.

In order to successfully prosecute World War II the Government of the United States operated under unprecedented powers. Not all of these originated via the legislative process. Some were seized out of thin air because of the expedient needs of War. In the course of estab-

A. G. Lanston

(Continued on page 1410)

*An address by Mr. Lanston at the Mid-Winter Dinner of the New York State Bankers Group V, Albany, N. Y., March 8, 1947.

Pictures taken at the Annual Dinner of the New York Security Dealers Association appear in Pictorial Section.

Vacuum Concrete
Aerovox Corp.
Havana Litho. Co.*
*Prospectus on request
HIRSCH & Co.
Members New York Stock Exchange and other Exchanges
25 Broad St., New York 4, N. Y.
HAnover 2-0600 Teletype NY 1-210
Chicago Cleveland London
Geneva (Representative)

R. H. Johnson & Co.
Established 1927
INVESTMENT SECURITIES
64 Wall Street, New York 5
BOSTON PHILADELPHIA
Troy Albany Buffalo Syracuse
Baltimore Dallas Harrisburg
Pittsburgh Scranton Wilkes-Barre
Williamsport Springfield Woonsocket

STATE AND MUNICIPAL BONDS
THE NATIONAL CITY BANK OF NEW YORK
Bond Dept. Teletype: NY 1-708

AMERICAN MADE MARKETS IN CANADIAN SECURITIES
HART SMITH & CO.
Members
New York Security Dealers Assn.
52 WILLIAM ST., N. Y. HAnover 2-0980
Bell Teletype NY 1-395
New York Montreal Toronto

State and Municipal Bonds
Bond Department
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK

NATIONAL BANK of INDIA, LIMITED
Bankers to the Government in Kenya Colony and Uganda
Head Office: 26, Bishopsgate, London, E. C.
Branches in India, Burma, Ceylon, Kenya Colony and Aden and Zanzibar
Subscribed Capital £4,000,000
Paid-Up Capital £2,000,000
Reserve Fund £2,200,000
The Bank conducts every description of banking and exchange business
Trusteeships and Executorships also undertaken

Gearhart & Company
INCORPORATED
Members
N. Y. Security Dealers Ass'n
45 Nassau Street, New York 5
Telephone REctor 2-3600
Teletype NY 1-576
Philadelphia Telephone—Enterprise 6015

Acme Aluminum Alloys, Inc.
Conv. Preferred
*Detroit Harvester Co. Com.
Solar Aircraft Company
90c Conv. Preferred
*Twin Coach Company
Conv. Preferred
*Prospectus on request
Reynolds & Co.
Members New York Stock Exchange
120 Broadway, New York 5, N. Y.
Telephone: REctor 2-8600
Bell Teletype: NY 1-635

Bond Brokerage Service
for Banks, Brokers and Dealers
HARDY & Co.
Members New York Stock Exchange
Members New York Curb Exchange
30 Broad St. New York 4
Tel. DIgby 4-7800 Tele. NY 1-733

New England Public Service Co.
PREFERREDS
Analysis upon request
IRA HAUPT & CO.
Members New York Stock Exchange and other Principal Exchanges
111 Broadway, N. Y. 6
REctor 2-3100 Teletype NY 1-2708

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

National Debt, Interest Rates and the Saver

By W. RANDOLPH BURGESS*
Vice-Chairman of the Board, National City Bank of New York

Dr. Burgess classifies the dangers of the debt as: (1) dilution of the dollar; and (2) strangulation of the economy through the tax drain, interest rate distortion, and excessive government controls. Scores managed freezing of interest rates. Concludes we must reduce budget, repay debt and distribute it to investors, and take all steps to increase dynamic energy of our economic life.

One of the encouraging facts in the present situation is that the American people are worrying about the national debt. The eagerness of the Congress to do something about it is one indication, for that means that Congress is hearing from home.

We do well to worry about so huge a debt, but the problem is to make our worry effective. We need to make sure that we are worrying about the right things, and then do something about it.

W. R. Burgess

Many people are worrying about some vast but vague cataclysm. They gaze at the towering debt of $260 billion and feel somehow that it is likely to topple over and crush them. To be more specific, they worry about some form of national bankruptcy under which the national debt might be repudiated. Those who have this fear often refer to the nation's repudiation of the gold clause in its obligations in the year 1933. Or they refer to the fact that $60 billion of debt matures within a year, and they wonder whether the Treasury will be able to sell new bonds to pay this debt on maturity or whether at some point the bond market will close up.

These fears of some great catastrophe in connection with the debt are probably groundless. They are based on a perfectly understandable feeling we as individuals have about our own debts. We know from personal experience that a debt is not only a millstone about the neck, but may be a source of catastrophe. We know today that the national debt is $7,000 for each family, not far from twice the whole annual income of the typical family.

The real threat of the debt is in fact more subtle and more far-reaching than the danger of some sudden catastrophe. For national debt is different in one respect at least from the debt of an individual or family. The main difference lies in the fact that nations control the money supply and make the laws. So when nations get into a jam, instead of defaulting on their obligations they print some more money (either paper money or bank credit) or (Continued on page 1411)

*An address by Dr. Burgess before Eastern Regional Savings and Mortgage Conference, New York City, March 6, 1947.

"Too Much Money"

By THOMAS I. PARKINSON*
President, Equitable Life Assurance Society of America

Prominent insurance executive maintains despite Treasury redemptions and reduction in bank deposits, money supply is still increasing and is an inflationary threat. Says banks are making heavy government bond purchases, and points out there is now no gold standard to check credit expansion. Attacks low interest policy and advocates government budgetary surplus as means of reducing money supply. Calls on Federal Reserve to curb credit expansion.

The theme that I had more or less indefinitely in mind when I came into the room, which has been made much more definite by what has transpired here in the last few moments,[1] is that we have in this country at this time too large a money supply, and that that large money supply has financial, political and social implications, which are of importance to all the citizens of this country, of peculiar importance to the businessmen of this country, and of extraordinary importance to those of us who have responsibilities in the life insurance world.

T. I. Parkinson

There is one thing about the life insurance business that I think I may be permitted to emphasize at this moment, and that is that it necessarily involves a long-term rather than a short-term view. We make contracts which are to run for long periods of years; and we obligate ourselves to pay at sometime during that long period a specified number of dollars; and we have accepted as our consideration for that obligation the payment of a specified number of dollars, either immediately or annually, through the period of the contract. We are obliged to look to the long-term.

What I would like to emphasize to you today is that the good of the country and the liquidation of your responsibilities in other fields of business likewise calls for a long-term view rather than a short-term consideration of our problems.

We have, I said a moment ago, too large a money supply. That money supply, you all realize, is the result of the matters to which Colonel Proffitt has just referred.[2] It consists of a little more than 28 billion dollars of coins and paper money and in addition to that, we have about 140 billion dollars of bank deposits, which pass as money, upon which someone has the right to draw, to pay

(Continued on page 1412)

[1] Discussion of proposal to return to Gold Standard.

[2] Remarks of Col. Proffitt appear on page 1387—Editor.

*An address by Mr. Parkinson at a meeting of the Chamber of Commerce, State of New York, New York City, March 6, 1947.

Trading Markets in:
Standard G & E, Com.
Amer. Barge Lines
Old Reorg. Rails
Commons & Preferreds
Soya Corp.
Lear, Inc.
KING & KING
SECURITIES CORP.
Established 1920
Members N. Y. Security Dealers Assn.
Nat'l Ass'n of Securities Dealers, Inc.
40 Exchange Pl., N. Y. 5 HA 2-2772
BELL TELETYPE NY 1-423

Oklahoma Natural Gas Pfd.
Florida Dairies
Wilbur Suchard Chocolate
May, McEwen & Kaiser
Elk Horn Coal Com. & Pfd.
Mitchell & Company
Members Baltimore Stock Exchange
120 Broadway, N. Y. 5
WOrth 2-4230
Bell Teletype NY 1-1227

Savoy Plaza
3/6s, 1956
Savoy Plaza
Class "A"
Vanderhoef & Robinson
Members New York Curb Exchange
31 Nassau Street, New York 5
Telephone COrtlandt 7-4070
Bell System Teletype NY 1-1548

BIDS MADE
ON
BONDS
WITH
Coupons Missing
GUDE, WINMILL & Co.
Members New York Stock Exchange
1 Wall St., New York 5, N. Y.
DIgby 4-7060 Teletype NY 1-955

American Overseas Airlines
New England Public Service
Prior Pfds.
Newmarket Mfg.
Northern New England Co.
United Piece Dye Works
Com. & Pfd.
Greene and Company
Members N. Y. Security Dealers Assn.
37 Wall St., N. Y. 5 Hanover 2-4850
Bell Teletypes—NY 1-1126 & 1127

Punta Alegre Sugar
Haytian Corp.
Quotations Upon Request
FARR & CO.
Members New York Stock Exchange
New York Curb Exch. Assoc. Member
New York Coffee & Sugar Exchange
120 WALL ST., NEW YORK
TEL. HANOVER 2-9612

American Overseas Airlines
Bought — Sold — Quoted
McDONNELL & Co
Members
New York Stock Exchange
New York Curb Exchange
120 BROADWAY, NEW YORK 5
Tel. REctor 2-7815

We Maintain Active Markets in U. S. FUNDS for
CANADIAN INDUSTRIALS
CANADIAN BANKS
CANADIAN MINES
CANADIAN UTILITIES
Canadian Securities Dept.
GOODBODY & CO.
Members N. Y. Stock Exchange and Other Principal Exchanges
115 BROADWAY NEW YORK 6, N. Y.
Telephone BArclay 7-0100 Teletype NY 1-672

For Banks, Brokers & Dealers
W. L. Maxson Common
*Maxson Food Systems Preferred
*Prospectus on Request
Trading Market
TROSTER, CURRIE & SUMMERS
Member New York Security Dealers Association
74 Trinity Place, New York 6, N. Y.
Telephone HAnover 2-2400 Teletype 1-376-377-378
Private Wires to Buffalo—Cleveland—Detroit—Pittsburgh—St. Louis

INDIANA GAS & WATER COMPANY
Common
BOUGHT—SOLD—QUOTED
J·G·WHITE & COMPANY
INCORPORATED
37 WALL STREET NEW YORK 5
ESTABLISHED 1890
Tel. HAnover 2-9300 Tele. NY 1-1815

Rockwell Manufacturing Co.
Bought—Sold—Quoted
Analysis on Request
STEINER, ROUSE & Co.
Members New York Stock Exchange
25 Broad St., New York 4, N. Y.
HAnover 2-0700 NY 1-1557
New Orleans, La.-Birmingham, Ala.
Direct wires to our branch offices

Southwest Natural Gas
Willys Overland Pfd.
Mid Continent Airlines
Ralston Steel Car
Consolidated Elec. & Gas Pfd.
Pathe Ind.
Edward A. Purcell & Co.
Members New York Stock Exchange
Members New York Curb Exchange
50 Broadway WHitehall 4-8120
Bell System Teletype NY 1-1919
New York 4, N. Y.

Detroit Int'l Bridge
Detroit & Canada Tunnel
Aspinook Corp.
Colonial Sand & Stone
Frank C. Masterson & Co.
Established 1923
Members New York Curb Exchange
64 WALL ST. NEW YORK 5
Teletype NY 1-1140 HAnover 2-9470

Curb and Unlisted Securities
MICHAEL HEANEY, Mgr.
WALTER KANE, Asst. Mgr.
Joseph McManus & Co.
Members New York Curb Exchange
Chicago Stock Exchange
39 Broadway New York 6
Digby 4-3122 Teletype NY 1-1610

American Time Corp.
Artkraft Mfg. Co.
Ironrite Ironer Co.
Consolidated Industries
MAHER & HULSEBOSCH
Brokers & Dealers
In Investment Securities
62 William St. New York 5, N. Y.
Telephone Teletype
WHitehall 4-2422 NY 1-2613
Branch Office
113 Hudson St., Jersey City, N. J.

*Air Products, Inc. Com. & "A"
*Emery Air Freight Corp.
Common & Preferred
Raytheon Manufacturing Co.
$2.40 Conv. Preferred
*Prospectus on request
Reynolds & Co.
Members New York Stock Exchange
120 Broadway, New York 5, N. Y.
Telephone: REctor 2-8600
Bell Teletype: NY 1-635

INDEX

Articles and News

Article	Page
Permanent Authority for Federal Reserve to Buy Bonds from Treasury Dangerous—Walter E. Spahr	Cover
A Challenge to Pessimism—Arthur J. Neumark	Cover
Truman Asks Aid for Both Greece and Turkey	Cover
No Authority for Pegging Interest Rates —Aubrey G. Lanston	Cover
National Debt, Interest Rates and the Saver —W. Randolph Burgess	1374
"Too Much Money"—Thomas I. Parkinson	1374
SEC Disclosure Rule Again to Fore—Herbert M. Bratter	1375
Postwar Prospects in Latin American Market —Herman Burstein	1376
Outlook for Automobile Industry—Rufus Tucker	1376
Inflations and Deflations of My Eighty Years —Prof. Irving Fisher	1377
Aftermath of Japanese Currency in Philippines —Francisco Ortigas, Jr.	1378
The Extravagent Truman Budget—Roger W. Babson	1378
Strength and Vitality of Unlisted Market —Clarence E. Unterberg	1380
Threatened UFE Strike Against A. M. Kidder Co. Could Also Mean Strikes Against the Exchanges —Edmour Germain	1380
Conditions of Employment Stabilization—Bertil Ohlin	1381
America Has State in Austrian Reconstruction —Ernest Weinwurm	1384
The Federal Budget—The Turning Point —Arthur A. Ballantine	1385
Put Your Money in a Bank—Edward C. Randolph	1385
Management's Responsibility for Construction Legislation —R. Elmo Thompson	1387
Building Material Outlook Good—Tyler Stewart Rogers	1387
N. Y. Lawyers Wondering What Effect Recent Court Ruling May Have on Stock Transfer Tax	1428
* * *	
More on an Official Witch Hunt (Editorial)	1375
Amended Bill Reveals Details on Proposed SEC for N. Y. State	1378
Rep. Carl Hinshaw Revives Boren Bill	1379
Rep. Daniel Reed (N. Y.) to Press for Repeal of Silver Act	1379
Peru's Foreign Debt Decision	1380
Taft, Ruml and Blough Discuss Budget and Taxes	1381
British Loan Made to French Industry by Lazard Bros & Co., Not by Hambros Bank	1383
Making Good on GI Exchange Loss	1383
Snyder Denies Change in Treasury Interest Rate Policy	1384
Policy Issues at Export-Import Bank	1384
The Future of Agricultural Commodity Exchanges	1386
Col. Proffitt Proposes Return to Gold Standard	1387
Taft Introduces New Housing Bill	1388
Texas Group of IBA to Hold 12th Annual Meeting in Mexico	1389
J. P. Morgan Left $16 Million Gross, $4½ Million Net	1389
Dresser Industries to Benefit from Natural Gas Crisis	1392
MacKenzie to Address Brooklyn Unit of NACA	1392
Graham Towers Canadian World Bank Director	1394

Regular Features

Feature	Page	Feature	Page
Bank and Insurance Stocks	1386	Our Reporter's Report	1427
Business Man's Bookshelf	1419	Prospective Security Offerings	1425
Canadian Securities	1394	Public Utility Securities	1380
Dealer-Broker Investment Recommendations	1382	Railroad Securities	1390
Einzig—Sterling Balance Talks Fail	1379	Real Estate Securities	1384
Mutual Funds	1388	Securities Salesman's Corner	1392
NSTA Notes	1382	Securities Now in Registration	1421
Observations—A. Wilfred May	1377	Tomorrow's Markets (Walter Whyte Says)	1415
Our Reporter on Governments	1396	Washington and You	1377

Published Twice Weekly

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Patent Office

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

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

Thursday, March 13, 1947

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

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

Copyright 1947 by William B. Dana Company

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

Subscription Rates

Subscriptions in United States, U. S. Possessions, Territories and Members of Pan-American Union, $35.00 per year; in Dominion of Canada, $38.00 per year. Other Countries, $42.00 per year.

Other Publications

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

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

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

SEC Disclosure Rule Again To Fore

By HERBERT M. BRATTER

Mr. Bratter reports that among amendments to the SEC Acts now under consideration are (1) removal of municipal bond transactions from anti-fraud provisions; (2) extension of reporting and proxy requirements to large unregistered companies, and (3) the power of inspection of books and records of investment advisers. Calls attention to Hinshaw's Bill and looks for early return of SEC to Washington.

WASHINGTON, MARCH 12—It is the belief of the writer that the SEC will this year so construe its powers as to remove the threatened application of any disclosure rule it may promulgate to municipal bonds. It was to eliminate this threat that Rep. Boren of Oklahoma in the last Congress pressed, although unsuccessfully, for enactment of his bill on the subject. A similar bill, H. R. 1881, has been introduced in the present Congress by Rep. Carl Hinshaw of California, a member of the Committee on Interstate and Foreign Commerce. Its text is reproduced in today's "Chronicle" on page 1379.

Herbert M. Bratter

The SEC's proposed rule, which last Congress was examined in House hearings as reported in the "Chronicle" at the time, was based on a section of the Securities and Exchange Act

(Continued on page 1418)

More on an Official Witch Hunt

N. Y. State Attorney General's attempted justification of questionnaire assailed. Our original position reasserted and emphasized. Claimed powers and responsibilities similar to those of SEC and NASD, shown as unfounded. Federal Securities Acts and New York State Martin Act contrasted. N. Y. Attorney General's powers limited as compared with SEC and NASD. Withdrawal of questionnaire again urged

In our issue of Feb. 27, 1947, under the heading "An Official Witch Hunt," we took the Attorney General of the State of New York to task for the "general questionnaire" issued by him to several hundred upstate dealers who are non-Exchange members.

We there characterized this high-handed action as a "sheer rapacious disregard of the right to privacy and to be safeguarded in the freedom of doing business."

This questionnaire has appended to it the statement that the failure to comply by answering is subject to criminal penalties.

Our position has been and is that the failure to specify the subject of the inquiry in which the Attorney General is engaged renders the entire proceeding illegal and that this fishing expedition, which the New York State Attorney

(Continued on page 1390)

B. S. LICHTENSTEIN AND COMPANY

"IT'S A LONG WAY TO TIPPERARY"

—but just a short way to 99 Wall Street famous market place for obsolete and inactive securities. Drop in or send us your list now.

99 WALL STREET, NEW YORK
Telephone: WHitehall 4-6551

Offerings Wanted

All

Title Company Mortgage Certificates

GOLDWATER & FRANK
39 Broadway, New York, N. Y.
HAnover 2-8970 Teletype NY 1-1203
Member of
New York Security Dealers Assn.
Nat'l Ass'n of Securities Dealers, Inc.

HODSON & COMPANY, Inc.

165 Broadway, New York

TRADING MARKETS

Thiokol Corp.
Miller Mfg. Co.
National Company
Billings & Spencer

Est. 1926
HERZOG & CO. INC.
Members New York Security Dealers Assn.
170 Broadway WOrth 2-0300
Bell System Teletype NY 1-84

Haytian Corporation
Punta Alegre Sugar
Eastern Sugar Assoc.
Lea Fabrics
U. S. Sugar
Commodore Hotel
*Fidelity Electric Co.
Class A Common Stock
Susquehanna Mills
*Prospectus on request

DUNNE & CO.
Members New York Security Dealers Assn.
25 Broad St., New York 4, N. Y.
WHitehall 3-0272—Teletype NY 1-956
Private Wire to Boston

We are interested in offerings of

High Grade Public Utility and Industrial PREFERRED STOCKS

Spencer Trask & Co.

Members New York Stock Exchange — *Members New York Curb Exchange*
25 Broad Street, New York 4 — 135 S. La Salle St., Chicago 3
Tel.: HAnover 2-4300 — Tel.: Andover 4690
Teletype—NY 1-5
Albany - Boston - Glens Falls - Schenectady - Worcester

TITLE COMPANY CERTIFICATES

Bond & Mtge. Guar. Co.
Lawyers Mortgage Co.
Lawyers Title & Guar. Co.
N. Y. Title & Mtge. Co.
Prudence Co.

Newburger, Loeb & Co.
Members New York Stock Exchange
15 Broad St., N.Y. 5 WHitehall 4-6330
Bell Teletype NY 1-2033

Collyer Insul. Wire
Whiting Corp.
Macfadden Pubs.
Philip Carey Mfg.

STRAUSS BROS.
INC.
Members N. Y. Security Dealers Assn.
32 Broadway NEW YORK 4 DIgby 4-8640 Teletype NY 1-832, 834
Board of Trade Bldg. CHICAGO 4 Harrison 2075 Teletype CG 129
Pan American Bank Bldg., Miami 32
Telephone: 3-2137 Teletype MM 80
Direct Wire Service
New York—Chicago—St. Louis
Kansas City—Los Angeles

AIR PRODUCTS, INC.
Common and Class A

Prospectus on request.

LAURENCE M. MARKS & CO.
MEMBERS NEW YORK STOCK EXCHANGE
NEW YORK CURB EXCHANGE (Associate)
49 Wall Street, New York 5, New York
Telephone HAnover 2-9500 Teletype NY 1-344

**Stern & Stern Textile, Inc.
**Offering Circular on request
*Public National Bank & Trust Co.
*Year-end analysis on request
Macfadden Publications
All Issues

C. E. Unterberg & Co.
Members N. Y. Security Dealers Ass'n
61 Broadway, New York 6, N.Y.
Telephone BOwling Green 9-3565
Teletype NY 1-1666

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

WARD & CO.
EST. 1926
ACTUAL MARKETS IN 250 ACTIVE ISSUES

Abitibi Power
Armstrong Rubber
Aspinook Corp.*
Bates Mfg.
Cinecolor
Chicago R. I. & Pac. Old Pfd.
Diebold Inc.*
Gen'l Dry Battery†
General Machinery
Gt. Amer. Industries
Higgins Inc.
Hoover Co.
Hoving Corp.†
Hydraulic Press
Lanova*
Long Bell Lumber
Majestic Radio & Tel.
Maryland Casualty Com. Pfd.
Mexican Gulf Sulphur
Michigan Chemical
Minn. & Ontario Paper
Missouri Pac. Old Pfd
Moxie
N.Y. New Hav. & Hart. Old Pfd.
Pathe Industries
Philip Carey
Purolator Prod.*
Taylor-Wharton*
Textron Wts. & Pfd.
Towmotor†
Upson Corp.*
U. S. Air Conditioning
U. S. Fidelity & Guar.
United Artists*
United Drill & Tool "B"
Vacuum Concrete*

Amer. Gas & Power
Cent. States Elec. Com.
Derby Gas & Elec.
Elec. Bond & Sh. Rts.
Pub. Ser. of Ind.
Puget S'nd P. & L. Com.
Southwest Natural Gas
Standard Gas Elec.
Tide Water Pwr. Com.

†Prospectus Upon Request
*Bulletin or Circular upon request

WARD & CO.
EST. 1926
Members N.Y. Security Dealers Assn.
120 BROADWAY, N. Y. 5
REctor 2-8700
N. Y. 1-1286-1287-1288
Direct Wires To Phila., Chicago & Los Angeles
ENTERPRISE PHONES
Hartf'd 6111 Buff. 6024 Bos. 2100

Postwar Prospects in Latin American Market

By DR. HERMAN BURSTEIN
Economist, Management Engineering Division,
S. D. Leidesdorf & Co., New York

Dr. Burstein holds import demand by Latin American nations should result from industrialization and lowered trade barriers. Nevertheless, sees ability to import depending on exports and portion supplied by United States dependent on: (1) our skill in merchandising and promotion; (2) satisfaction of Latin American dealers with their wartime experience with U. S. goods; (3) other nations' tactics in reacquiring their prewar market positions; (4) Latin American tariff reductions, exchange practices, and quota increases vis-a-vis U. S.; (5) international commercial cooperation; and (6) political and military policies.

Herman Burstein

During the second World War the Latin American market achieved a new degree of importance as a commercial outlet for United States production. More impressive yet was the role acquired by the United States as a supplier of goods needed by Latin America.[1] Now that the war in its major violent aspects is over, and with European countries, even the hardest pressed, preparing to recover export markets, the United State exporter is beginning to find himself occupying a less commanding position in trade with the republics to the south.

It is roundly expected that the United States cannot maintain the dollar level of trade with Latin America achieved in wartime. The expected dollar drop is attributed in part to an eventual drop in the prices of goods in trade. But actually it is expected because of the increasing strength of foreign competition, particularly that of England and France in the immediate future and ultimately that of Germany and Italy. This competition is far more determining than

(Continued on page 1401)

[1] United States cash exports (excluding Lend-Lease) to Latin America during 1939-44 and the percentage that these formed to total cash exports of the United States and to total cash imports of Latin America were as follows:

Year—	Exports to Latin America (Millions of $)	Ratio to Total U. S. Exports	Ratio to Total Latin Amer. Imports
1939	549	17.3%	40.0%
1940	683	17.0	52.7
1941	902	20.5	60.0
1942	683	21.7	50.5
1943	721	27.6	52.9
1944	973	32.9	52.1

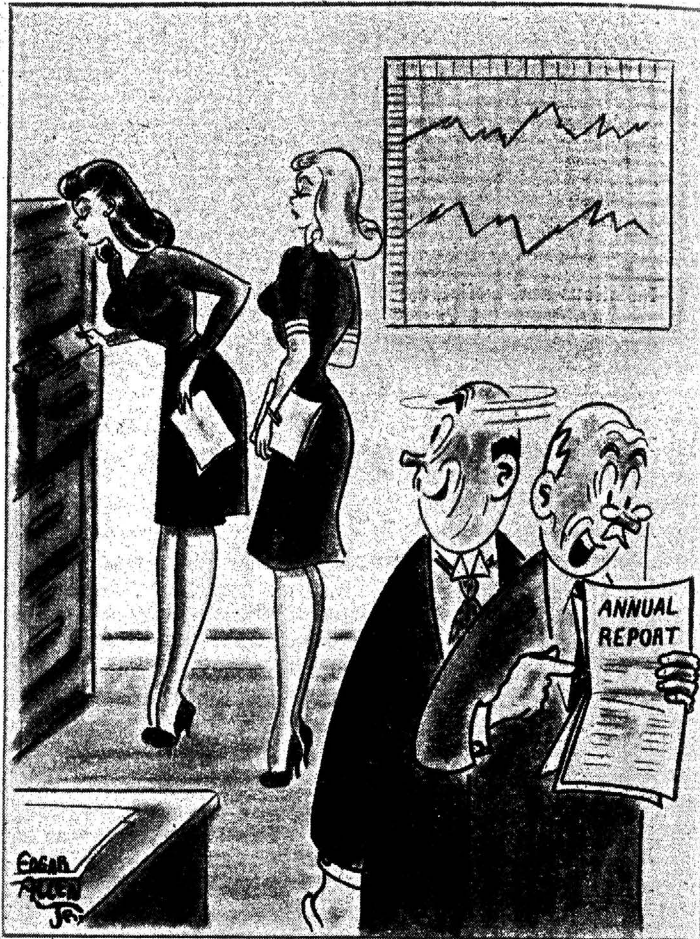
*District Theatres *Hungerford Plastics
*Metal Forming Corp. *Dumont Electric
*Prospectus Available

FIRST COLONY CORPORATION
52 Wall Street New York 5, N. Y.
Tel. HAnover 2-8080 Teletype NY 1-2425

Bought—Sold—Quoted at Net Prices
NATIONAL COMPANY
EASTERN CORPORATION
PENNSYLVANIA POWER & LIGHT COMMON

Central National Corporation
ESTABLISHED 1927
22 East 40th Street, New York 16, N. Y.
Telephone: LExington 2-7300 Teletype: NY 1-2948

BUSINESS BUZZ



"Interesting Figures, Aren't They, P. J.?"

Outlook for Automobile Industry

By RUFUS TUCKER*
Economist, General Motors Corporation

Dr. Tucker expresses personal view automobile industry in 1947 will operate at highest rate permitted by supply and labor conditions and will be one means of maintaining general business at present level. Sees need for six million more passenger cars in use, which, considering limitations of material supplies, cannot be turned out for several years. Predicts conditions will be reversed after four or five years, when replacement demand will fall off, and points out need for lower costs and prices to insure maintenance of large demand.

Rufus S. Tucker

The outlook for the automobile industry, which is the announced subject of my talk today, is, of course, part of the general outlook for business. It is impossible for the automobile industry to be wholly prosperous if business is not good in general, and similarly, although perhaps not so generally realized outside of the industry itself, it is impossible for general business conditions to be really active and prosperous unless the automobile industry is doing pretty well.

In the Federal Reserve Index, for example, something like eight or nine points is represented by the automobile industry in the narrow sense and, of course, if you will take its effect on other industries, the effect on the general over-all-index would be more than represented by eight or nine points.

Take, for example, tires, which are obviously closely connected.

(Continued on page 1414)

*An address by Dr. Tucker before the Association of Customers' Brokers, New York City, March 11, 1947. The views expressed represent Dr. Tucker's personal opinions, which are not necessarily those of the General Motors Corp.

OSGOOD COMPANY
Established 1840
Approximate earnings, 1946—$2.85 per share
Net current assets, Dec. 31, 1945—approximately $12.60
Approximate selling price—$8.50 per share
Company manufactures equipment for construction, mining, quarrying and lumber industries. Outlook for heavy industry field looks good for next 10 years.
Detailed circular upon request
Seligman, Lubetkin & Co.
Incorporated
Members New York Security Dealers Association
41 Broad Street, New York 4 HAnover 2-2100

Firth Sterling Steel
American Overseas Airlines
Kingan & Company
U. S. Finishing Com. & Pfd.
J.K.Rice,Jr.&Co.
Established 1908
Members N. Y. Security Dealers Assn.
REctor 2-4500—120 Broadway
Bell System Teletype N. Y. 1-714

ACTIVE MARKETS
Di-Noc Co.
Soya Corp.
Northern Indiana Public Service
Bought—Sold—Quoted
SIEGEL & CO.
39 Broadway, N. Y. 6 DIgby 4-2370
Teletype NY 1-1942

Washington... And You

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

Why are Republicans chucking away the token of public confidence voted last November? The Washington answer is fairly obvious: (1) too little party teamwork, (2) too many presidential candidates, (3) too few Republican strongmen, (4) too much public impatience.

* * *

Will this trend be reversed? That's possible but maybe not so probable. It's possible because (1) even the most obdurate of Republicans now see they are on the wane, (2) Speaker Martin is acquiring the know how of House leadership, and (3) Senate youngsters have notified the Republican oldsters they're through playing a second and very inaudible second fiddle. It's maybe not so probable because (1) the presidentially ambitious won't submit helpfully to team harness, and (2) the bid for recognition by the first termers may itself sprout new would be Presidents.

* * *

Actually, the Republican fellows have failed the public on means rather than end-products. Normally and historically no new Congress has ground out much end-product in the first two months of session. But almost without precedent, as the public sees it, is the current confusion over means of legislative output.

* * *

Watch freshman Republican Senator Ray Baldwin, former Connecticut Governor. It was Baldwin who elbowed the 16 GOP Senate newcomers into revolt last week. He knows the tricks of major league politics, has notions on how to crash the White House or Cabinet, and right now is silhouetted against the political horizon as the self-appointed Moses who hopes to smite the rock of personal ambitions and bring forth Republican unity.

* * *

Real fact is that last year Governor Baldwin had tired of play-

(Continued on page 1395)

Observations....

By A. WILFRED MAY

THE COST OF BECOMING CHIEF WORLD POWER

Without exploring the moral, economic, or political merits, let us "quantitatively" assay just how deeply we are becoming involved in "protecting our equity" in extending help to the stricken world. First let us review our past outlays, and then examine the little-realized enormous scope of our imminent further post-War responsibilities.

A. Wilfred May

During the War and since, we have extended to other countries over $50 billion worth of Lend-Lease, and our various kinds of loan outpourings total $66 billion. How much of this will ever be repaid? Russia, to whom we lend-leased $11.3 billion during the War and $226 million after V-J day, has not even deigned to make any reply whatsoever to our three separate requests to discuss the matter of repayment. Our Lend-Lease extensions to her puppet state of Yugoslavia have amounted to $33 million; to Czechoslovakia $174 million (post-war); and to Poland over $20 million. To France, which is daily sinking further into political chaos, we have sent $411 million of goods since V-J Day. To the sorely-pressed Chinese has gone $1½ billion, of which half has been shipped post-War. To UNRRA (of whose expenses we shouldered 72%) and other private agencies we have given well over $3¼ billion.

Our Banking Machinery

Let us take a look at the "banking" devices we have created for extending subsidy—past, present, and future. The Export-Import Bank, initially operating for reconstruction purposes in liberated and war-devastated countries, authorized credits in the amount of $2¼ billion between July 1, 1945 and the end of the year 1946. During the last half of 1945 such credits amounted to $1 billion, and in the first half of 1946 to $1¼ billion; but in the last half of 1946 petered out to but $54 million. France has received two credit authorizations, first one of $550 million and then of $650 million, the first of which she has completely used up, as well as $120 million of the second. 20 Latin-American, 20 European, and 8 Asiatic nations, are included in the Bank's credit authorizations.

The petering-out of Export-Import operations is being compensated for fully and uninterruptedly by the Bretton Woods institutions. For the borrowing queues need merely shift their stations to the other Washington addresses where the Monetary Fund and the World Bank are about to hold forth. And here again the United States is assuredly not shirking its responsibilities, underwriting 35% of the capital of the former, and 39% of the latter—institutions which presumably will sooner or later be struck with the dollar-shortages of other countries.

Even in our activities which can be classified frankly as relief there is no discernible let-up. As attested to by former President Hoover, our relief costs in Germany will amount almost to a half-billion, and our total unavoidable relief outlays one and one-half billions, by the end of our coming fiscal year. But these relief items represent mere odds-and-ends compared to the cataclysmic major troubles bursting on the world scene.

U. S. "Relief to the Russians"

Although financial commitments by us to counterbalance the Russians' draining-off of reparations from current production in occupied countries, may technically not be definable as a relief activity, they importantly add to our other uncompensated outpayments.

(Continued on page 1392)

A. C. Purkiss to Be Partner in Walston, Hoffman & Goodwin

LOS ANGELES, CALIF.—Albert C. Purkiss will become a partner in Walston, Hoffman & Goodwin, members of the New York and San Francisco Stock Exchanges, on April 1st. Mr. Purkiss will make his headquarters at the firm's Los Angeles office at 550 South Spring Street. He has been with the firm for some time as Southern California manager. Prior thereto he was Vice-President of Franklin Wulff & Co.

Albert E. Van Court Is Opening Own Offices

LOS ANGELES, CALIF.—Albert E. Van Court is opening offices at 650 South Grand Avenue to engage in the investment business. Mr. Van Court was formerly a partner in Gross, Van Court & Co.

Gurdon W. Wattles to Be Individual Dealer

Gurdon W. Wattles will engage in the securities business from offices at 40 Wall Street, New York City. Mr. Wattles was formerly a partner in White, Weld & Co.

Inflations and Deflations of My Eighty Years

By IRVING FISHER*

Dr. Fisher, in reviewing monetary developments in his lifetime, attacks both gold standard and "bank check" money. Defines inflation as "too much money," and deflation as "too little money" and says problem is to maintain steady purchasing power of dollar by varying supply when required. Holds deflation following 1929 could have been avoided by maintaining volume of currency, and advocates a new unit of value based upon "the market basket." Wants government to use "open market operations" to stabilize money supply and calls for end of dependence on "bank check" money which arises from volume of debts. See deflation ahead.

It seems appropriate to me that I should speak to you, since this dinner is in my honor, in regard to my chief interest during the major part of all my life of eighty years. So, the title of my address is "The Inflations and Deflations of my Eighty Years." Through at least half of my lifetime, ever since 1897, ever since the Bryan campaign of 1896, I have been most interested in this subject.

Prof. Irving Fisher

I entered economics from mathematics and physics. All other sciences have units in which they measure all their magnitudes. Economics has not. Business, which is applied economics, has not.

Unfortunately, most businessmen are under the illusion that it has. All the units of commerce, of the things we buy, are stable, fixed, carefully guarded. They have gradually developed from rough units to accurate units. Science has become exact because their units have become exact. The units of time, of space, of electricity and so forth, are fixed. But

(Continued on page 1403)

*Special transcript for the "Chronicle" of an address by Dr. Fisher at a dinner given in his honor at the Yale Club, New York City, Feb. 27, 1947.

AMERICAN MADE MARKETS IN CANADIAN SECURITIES

PAPER STOCKS & BONDS

Abitibi
Brown Company
Consolidated Paper
Donnacona
Minnesota & Ontario
Price Brothers
St. Lawrence

HART SMITH & CO.
52 WILLIAM ST., N. Y. 5 HAnover 2-0980
Bell Teletype NY 1-395
New York Montreal Toronto

TRADING MARKETS IN "OLD" Preferreds & Commons

Chi., Milw., St. Paul & Pac.
Chi., Rock Island & Pacific
Denver & Rio Grande West.
Duluth, So. Shore & Atlantic
Missouri Pacific
N. Y., New Haven & Hartford
N. Y., Ontario & Western
Old Colony Railroad
Rutland Railroad
St. Louis-San Francisco
St. Louis Southwestern
Seaboard Air Line
Western Pacific
Wisconsin Central

G. A. Saxton & Co., Inc.
70 Pine Street, New York 5, N. Y.
WHitehall 4-4970 Teletype NY 1-609

Specialists
INACTIVE SECURITIES
We make firm bids for our own account

David Morris & Co.
Members
N. Y. Security Dealers Assn.
Natl. Assn. of Securities Dealers, Inc.
52 Wall Street, New York City 5
Tel. HAnover 2-3537 Tele. NY 1-544

Getchell Mine, Inc.
Polaroid Corporation
A. S. Campbell Co. Inc.
Anchorage Homes, Inc. A & B
American Overseas Airlines, Inc.
Maxson Food Systems $0.50 conv. Pfd.
New England Gas & Elec. Assn. $5.50 Pfd.
BOUGHT — SOLD — QUOTED
New York Hanseatic Corporation
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-5660 Teletype: NY 1-583

Electric Bond & Share "Stubs"
When Delivered
Central Ohio Light & Power
Tennessee Gas & Transmission
Tide Water Power
Bought—Sold—Quoted
FREDERIC H. HATCH & CO., INC.
Established 1888
MEMBERS N. Y. SECURITY DEALERS ASSOCIATION
63 Wall Street, New York 5, N. Y. Bell Teletype NY 1-897

A MARKET PLACE
for
BRITISH TYPE INVESTORS
COPPER CANYON MINING
DICTOGRAPH PRODUCTS
GREATER N. Y. INDUST.
MUSICRAFT RECORDING
REITER FOSTER OIL
STANDARD GAS & ELEC.
VULCAN IRON
Mining & Oil Stocks
GOULET & STEIN
Members Nat'l Ass'n of Securities Dealers, Inc.
27 William St., N. Y. 5
HAnover 2-7768 Tele: NY 1-1055

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

BALTIMORE

Baltimore Transit Co.
All Issues
Bayway Terminal
Davis Coal & Coke
Maryland Trust of Balt.
Louisville Railway
5s, 1950

STEIN BROS. & BOYCE
Members New York & Baltimore Stock Exchanges and other leading exchanges
6 S. CALVERT ST., BALTIMORE 2
Bell Teletype BA 393
New York Telephone REctor 2-3327

BOSTON

The Parker Appliance Company

Company is a leading manufacturer of tube couplings, fittings and valves for the transmission of hydraulics. Outlook for industries served indicates substantial prospective earning power.

At current quotations, common stock is available at approximately 40% less than original offering price in 1940, despite tremendous improvement in basic position, at approximately 40% of indicated book value and at less than net working capital per share.

Circular available upon request

PRICED ABOUT 8

du Pont, Homsey Co.
31 MILK STREET
BOSTON 9, MASS.
HANcock 8200 Teletype BS 424
N. Y. Telephone CAnal 6-8100

B & M

Boston & Maine RR.
Prior Preferred

Circular on Request

Walter J. Connolly & Co., Inc.
24 Federal Street, Boston 10
Tel. Hubbard 3790 Tele. BS 128

DES MOINES

WHEELOCK & CUMMINS
INCORPORATED

Continuing Interest in

Iowa Power & Light Co.
3.30% Preferred Stock

Meredith Publishing Co.
Common Stock

EQUITABLE BUILDING
DES MOINES 9, IOWA
Phone 4-7159 Bell Tele. DM 184

LOUISVILLE

American Air Filter
American Turf Ass'n
Consider H. Willett
Girdler Corporation
Murphy Chair Company
Reliance Varnish Co.

THE BANKERS BOND CO.
Incorporated
1st Floor, Kentucky Home Life Bldg.
LOUISVILLE 2, KENTUCKY
Long Distance 238-9 Bell Tele. LS 186

Beckwith, Rogers With Coburn, Middlebrook

Coburn & Middlebrook, members of the New York Curb Exchange, Hartford and New York, announce that Frank W. Beckwith has been appointed manager of the firm's bond department, resident in the Hartford office at 37 Lewis Street.

John O. Rogers is also now connected with the Hartford office of the firm. Mr. Rogers was previously with Goodwin Beach & Co. and Easland & Co.

LYNCHBURG

Trading Markets

American Furniture Co.
Bassett Furniture Ind.
Dan River Mills

—★—

Scott, Horner & Mason, Inc.
Lynchburg, Va.
Tele. LY 83 LD 11

MONTGOMERY, ALA.

Lime Cola
Bought—Sold—Quoted

Copy of Prospectus on request

THORNTON, MOHR & COMPANY
Montgomery, Alabama
Telephone 3-6696 & L. D. 53 Teletype MG 84

PHILADELPHIA

Tide Water Power Company
Colorado Milling & Elevator Co.
International Detrola Corp.

Memos on Request

BUCKLEY BROTHERS
Members New York, Philadelphia and Los Angeles Stock Exchanges
Also Member of New York Curb Exchange
1420 Walnut Street, Philadelphia 2
New York Los Angeles
Pittsburgh, Pa. Hagerstown, Md.
N. Y. Telephone—WHitehall 3-7253
Private Wire System between Philadelphia, New York and Los Angeles

A Continuing Retail and Trading Interest in

Talon Inc.
Southern Advance Bag & Paper Co.

BOENNING & CO.
1606 Walnut St., Philadelphia 3
PEnnypacker 5-8200 PH 30
Private Phone to N. Y. C.
COrtlandt 7-1202

Send for a New Memo on

PITTSBURGH RAILWAYS

H. M. Byllesby & Company
PHILADELPHIA OFFICE
Stock Exchange Bldg. Phila. 2
Telephone RIttenhouse 6-3717 Teletype PH 73

The Extravagant Truman Budget

By ROGER W. BABSON

Urging study of spending of our tax dollars, Mr. Babson analyzing typical items in the Federal Budget regarded as wasteful extravagance. Denounces subsidies as leading to financial suicide.

Too many people have a child-like unconcern as to what is done with their hard-earned cash after it passes into Government hands. Too many have a child-like trust of all institutions, from banks and insurance companies to government bureaus. All should study and investigate the concerns or groups which either receive or handle their funds.

Roger W. Babson

We all should know where our tax dollars are going and how wisely they are being spent. Although savings are as low as they have been in many years, do you realize how extravagant is the new Truman Budget? It calls for two to thirteen times as much money to be spent by each government department in the coming fiscal year as was spent in any pre-war year. We enter the third year of peace with a proposed budget of around $37,500,000,000, now in

(Continued on page 1397)

Alan S. Gray Now With Wm. C. Roney in Detroit

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Alan S. Gray has become associated with Wm. C. Roney & Co., Buhl Building, members of the New York and Detroit Stock Exchanges. Mr. Gray in the past was with P. A. Hastings & Co. and conducted his own investment business in Pontiac, Mich.

Rejoins Kalman Co.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, MINN.—Joseph D. Auel has rejoined the staff of Kalman & Co., Inc., McKnight Building.

ST. LOUIS

STIX & CO.
INVESTMENT SECURITIES
509 OLIVE STREET
ST. LOUIS 1, MO.
Members St. Louis Stock Exchange

SPOKANE, WASH.

NORTHWEST MINING SECURITIES
For Immediate Execution of Orders or Quotes call TWX Sp-43 on Floor of Exchange from 10:45 to 11:30 A.M., Pac. Std. Time: Sp-82 at other hours.

STANDARD SECURITIES CORPORATION
Members Standard Stock Exchange of Spokane
Brokers - Dealers - Underwriters
Peyton Building, Spokane
Branches at Kellogg, Idaho and Yakima, Wn.

Aftermath of Japanese Currency In Philippines

By FRANCISCO ORTIGAS, Jr.
President, Ortigas, Madrigal & Cia, Manila, P. I.
Director, Filipinas Compania de Seguros, Manila

Mr. Ortigas explains origin of so-called "Mickey Mouse" currency introduced by invading Japanese in Philippines, and describes forced liquidation of local foreign banks through use of this currency. Holds Filipino people desire validation of payment with Japanese currency, despite disapproval of Ambassador McNutt, and holds foreign banks would benefit unjustly if validation is withheld.

Walt Disney did not draw a series of cartoons depicting Mickey Mouse swimming across the Pacific during the war, with a sub-machine gun on his back and wiping out Japanese soldiers by the regiments once he had landed in the Philippines, but for the duration of Japanese occupation Mickey Mouse, nevertheless, was certainly in the islands. For considerations which cannot now be definitely explained, the Filipinos adopted the term Mickey Mouse to the Military Peso Notes which the Japanese Army placed in circulation during their temporary occupation of the Philippines. Those notes had been designed, prepared and printed long in advance, and undoubtedly formed part of the pattern for Japanese expansionist plans in Asia and the Southern Pacific area. Some sources believe that small American-made cards, bearing prints of Walt Disney's world-famous character, with which Filipino children were wont to play before the war, were responsible for the adoption of the name. For real monetary value one was as worthless as the other.

Francisco Ortigas, Jr.

The legal effect which should be given to payments of prewar credits made with the Mickey Mouse is now a current problem of the less-than-a-year old republic. It is in a way the same problem which confronted the United States after the Civil War. The confederacy had also issued its own currency, and *ante bellum* debts had been paid with it. The main difference lies in the fact that, in contrast to the American *post bellum* situation, the resolution to the Philippine problem lies in the hands of representatives of the Filipino people itself, and it is admitted that invalidation of payments, advantageous to Yankee creditors after the Civil War, will hardly be to the Filipino people's interest. In 1945, the Congress of the Philippines voted

(Continued on page 1406)

Amended Bill Reveals Details on Proposed SEC for N. Y. State

Assemblyman William E. Clancy submits new measure in New York Legislature to replace skeleton bill he formerly introduced. Bill would set up a five-man State Securities Control Board which would license and regulate buying, selling and dealings in unlisted securities.

On March 10, Assemblyman William E. Clancy, Democratic-Labor Party member of the New York Legislature, introduced a new bill in the State Assembly as a substitute measure for a similar but skeleton bill which he introduced on Feb. 26, the text of which was published on page 1255 of last week's issue of the "Chronicle." The new bill, entitled "Securities Transaction Law" is limited in some of its applications to securities that are not registered on a securities exchange, but, in effect it would set up in New York State a "Little SEC."

The text of the new bill (No. 2631), as introduced in the State Assembly, is as follows:

AMENDMENT IN ASSEMBLY

Assembly bill, Int. No. 2631, Print No. 2869, by Mr. Clancy establishing a Securities Control Division in Executive Department, was amended and recommitted in Assembly today, as follows: Strike out entire bill and insert:

CHAPTER 3-C OF THE CONSOLIDATED LAWS
SECURITIES TRANSACTION LAW

Article 1. Short title; definitions. (§§ 1-2)
2. State securities control board. (§§ 3-11)
3. Buying, selling or dealing in stocks, bonds or securities. (§§ 12-22)

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" shall include a natural person, corporation, copartnership, association, society, joint stock company or syndicate.

(2) "Bond" shall mean any instrument or interest-bearing certificate issued by a person, government or corporation by which such person, government or corporation binds itself to pay a certain sum on or before an appointed day.

(3) "Stock" shall mean the share of capital of a corporation or commercial company attested by a certificate or certificates of ownership.

(4) "Security" shall mean an evidence of debt or of property represented by a bond, stock certificate or any other instrument.

(Continued on page 1418)

Rep. Reed to Press for Repeal of Silver Act

WASHINGTON. (Special to the "Chronicle"). — "Price-raising, price-supporting silver legislation now on the books is inflationary and should be repealed. I intend to introduce legislation to take care of the situation," Representative Daniel A. Reed of New York informs this correspondent. "If this Congress doesn't do its duty in this regard, the necessary changes in our laws are not likely to be made after inflation has got beyond control," Mr. Reed added.

"The time has come," he continued, "when every inflationary piece of legislation should be repealed, whether the powers it confers have been used or not. There is no sense leaving explosives around the house which is on fire. Perhaps the outstanding piece of inflationary legislation on the books is the Silver Purchase Act of 1934. But there are others, including the Act of July 6, 1939, as amended. Moreover, a law which ties the Treasury's hands as to the price at which it may sell public property, as does the Green Act relating to silver sales to industry, is also inflationary.

"I hope to make a careful investigation and get rid of these obnoxious laws favoring special interests."

In connection with the foregoing statement of Rep. Reed, it should be noted that leading industrial consumers of silver have formed the Silver Users Association with the purpose of pressing for the repeal of the transaction tax on silver trading. The tax was enacted as part of the Silver Purchase Act of 1934, when the large-scale purchase of silver by the Treasury was launched. Set at 50%, its purpose was to eliminate speculative buying in competition with the Treasury. By the repeal of the tax the silver users hope to see restored a market where they can hedge.

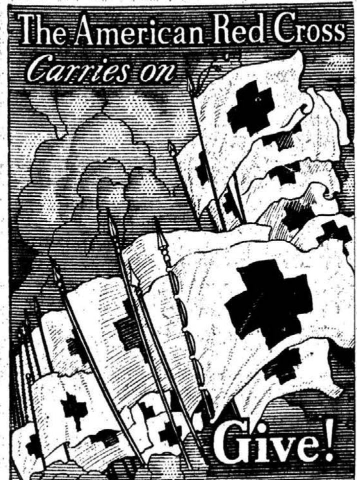
The new association has its office at 551 Fifth Avenue, New York City. Its executive secretary is Mr. L. Kenyon Loomis.

Smith, Barney & Co. Adds Royce N. Flippin

Smith, Barney & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Royce N. Flippin is now associated with them in the firm's institutional department.

Wm. S. Beeken Co. Opens

WEST PALM BEACH, FLA.—William S. Beeken Co. has been formed with offices in the Citizens Building to engage in the securities business. Officers are William S. Beeken, President and Treasurer; M. L. Beeken, Vice-President; and James L. Waugh, Secretary. Mr. Beeken was formerly with Edward E. Matthews Co. of Boston.



Revives Boren Bill

Rep. Hinshaw introduces measure in Senate to take place of Boren Bill, which failed to reach floor in last session and which would remove any possibility of control of transactions in state and municipal securities by SEC.

On Feb. 12, Rep. Carl Hinshaw (R.) of California introduced into the House of Representatives a bill (H.R. 1881) to amend the Securities Exchange Act of 1934 "so as to prohibit the application of any rule or regulation of the Securities and Exchange Commission to any transaction with respect to an exempted security."

Carl Hinshaw

This bill is similar to the Boren Bill which was originally introduced by former Congressman Lyle H. Boren of Oklahoma on Jan. 23, 1943, but which failed to reach the floor of the House, before Congress adjourned. It was of particular interest to dealers in municipal securities as, contrary to the will of Congress as expressly stated in the Securities Act of 1933, Securities Exchange Act of 1934 and the Maloney Bill of 1938, the SEC attempted through the medium of its proposed, and long dormant, Bid and Asked Disclosure Rule X-15-C1-10, to include transactions in local governmental obligations within the scope of its regulatory powers. Aside from this point, however, passage of the bill will have greater significance as it will deprive the SEC of its present authority under Section (C) (1) of the Exchange Act of 1934 to define by rules and regulations of its own choice "such devices or contrivances as are manipulative, deceptive or otherwise fraudulent" incident to transactions in securities. Under existing circumstances, the SEC has the power to label any "acts" not consonant with its own rules and regulations as fraudulent in character and criminal in nature.

The text of Rep. Hinshaw's bill is as follows:

A BILL

To amend the Securities Exchange Act of 1934, so as to limit the power of the Securities and Exchange Commission to regulate transactions in exempted securities.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, that Paragraph (B) of Section 10 of the Securities Exchange Act of 1934, as amended, is amended by adding at the end of such paragraph a new sentence as follows: "No rule or regulation adopted pursuant to this paragraph shall apply to any transaction with respect to an exempted security."

Sec. 2. Paragraph (1) of Subsection (C) of Section 15 of the Securities Exchange Act of 1934, as amended, is amended by adding at the end of such paragraph a new sentence as follows: "No rule or regulation adopted pursuant to this paragraph shall apply to any transaction with respect to an exempted security."

T. Allan Box, Jr. Opens

LOS ANGELES, CALIF. — T. Allan Box, Jr., is engaging in the securities business from offices at 621 South Hope Street. In the past he was an officer of Bennett, Richards & Co.

Sterling Balance Talks Fail

By PAUL EINZIG

Dr. Einzig sees little likelihood British Commission to India will succeed in getting Indian Government to scale down or fund its sterling balances when negotiations are resumed. Contends also negotiations with Egypt and Iraq will not be successful and matter continues to be of grave concern to British Government in view of effect of fuel crisis on exports and imports.

The British delegation engaged in exploratory discussions in New Delhi for the funding of the Indian sterling balances has left India without having succeeded in finding a common basis for the negotiations. This is in accordance with anticipations. From the very outset it was evident that the new Indian Government would not be prepared to make the concessions that would pave the way for an agreement. Indeed, the terms put forward were even stiffer than expected. A large proportion was demanded to be released immediately for the requirements of the Reserve Bank's foreign exchange reserve, and the rest was to be repaid in a brief space of time. Even if India were Britain's only creditor, the acceptance of such terms would impose a very considerable burden on the British balance of payments. If similar terms were to be granted to all creditors, the total burden would become obviously unbearable.

Dr. Paul Einzig

Nor is India inclined even to discuss a scaling down of the claims. Official and unofficial statements alike emphasized that the Washington Loan Agreement which provides for such reductions is not binding for India. It is believed in London that this attitude will provide full justification for a postponement of the time limit for the funding of sterling balances.

It seems unlikely that the negotiations with Egypt which have just been initiated in Cairo would prove any more successful than those attempted in New Delhi. Egyptian opinion is fully as unbending as Indian opinion. Nor is the outlook of the discussions with Iraq, which will follow those with Egypt, any more promising.

The British attitude stiffened considerably during recent weeks

(Continued on page 1416)

United Kingdom 4%, 1960-90
Rhodesian Selection Trust
Gaumont-British
Scophony, Ltd.

British Securities Dept.

GOODBODY & CO.

Members N. Y. Stock Exchange and Other Principal Exchanges
115 BROADWAY NEW YORK 6, N. Y.
Telephone BArclay 7-0100 Teletype NY 1-672

SEMINOLE OIL & GAS CORP.

A Producing Company

PROSPECTUS ON REQUEST

F. H. KOLLER & CO., Inc.

Members N. Y. Security Dealers Ass'n
111 BROADWAY, NEW YORK 6, N. Y.
BArclay 7-0570 NY 1-1026

Just Off the Press—A New Campbell Railroad Report

Southern Pacific R. R. vs. Pennsylvania R. R.

A complete readily understandable 20-year survey—a striking comparison of these two companies, past, present and future—1947 projection compared with 1940—a complete income statement.

The price of this new report is $10.

Checks are to accompany all orders.

THOMAS G. CAMPBELL
67 Wall St., New York
Phone: WHitehall 3-6898

To: PORTLAND ELECTRIC POWER COMPANY SECURITY HOLDERS

A Plan of Reorganization resulting in a distribution of cash and common stock in the Portland General Electric Company is now being submitted to security holders.

Ballots and proofs of claim must be received in Portland, Oregon, on or before April 19, 1947.

We have prepared a booklet descriptive of Portland General Electric Company. Copy may be had upon request.

BLYTH & CO., INC.
14 WALL STREET, NEW YORK 5, N. Y.
Telephone REctor 2-1900

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Public Utility Securities

New Stock Issues

Utility common stock offerings are expected to be fairly numerous in 1947 if market conditions permit. Some of these will represent sale of holding company interests, either the entire common stock or a majority interest therein; others will be "new money" issues, to raise construction funds; in a few cases there will be new common stock issues by holding companies or operating companies, in recapitalization programs; and finally, there will be a few "remnant sales"—odds and ends of left over holdings. There'll also be several ways in which these issues or blocks of stock will reach the market—through regular underwritings, with competitive bidding, through rights to stockholders (underwritten or not as the case may be), by secondaries and special offerings, etc.

This week witnessed offerings on behalf of Mountain States Power Co. and Northern Indiana Public Service Co., each having been awarded via competitive bids on Monday. Both stocks were already traded in, Mountain States having a rather inactive market on the Curb, while Northern Indiana Public Service has for some months had a fairly active over-counter market.

Mountain States Power (140,614 shares) is being sold by Standard Gas & Electric Co., their holding constituting 56% of the outstanding 249,000 shares. The stock has been selling recently around 34½-35¾, the range this year being 37-30, and last year 32½-22¾. Earnings in 1946 were $3.65 per share, making the price-earnings ratio under 10. Dividend payments have been gradually stepped up from last year's $1.50 to the present indicated $2.50 rate, which would afford a yield of over 7%. The company has enjoyed a very rapid growth, last year's revenues being $7,179,000 compared with the 1940 figure of $4,510,000. With the exception of the 1944 figure of $1.91, share earnings in 1940-45 were within a narrow range of $2.16-$2.26. The big gain in 1946 appears due to tax savings combined with a rapid increase in sales.

The capital structure is about 50% debt, 13% preferred stock and 37% common stock equity. Plant account has been substantially written down to original cost. Adding 5% to net plant account to allow for working capital 1946 net operating income was about 7% of the rate base (so far as determinable from balance sheet figures). Residential rates are very low (about 2.17c per kwh. in 1946) and residential usage is high (2,233 kwh.), although this is a general characteristic of this area, with its substantial supply of hydro-electric power.

The company's operations are unusually spread out for an operating company—it serves 109 communities and rural areas in five northwestern states (principally in Oregon) with an estimated population of 240,000. It buys a substantial amount of its power, producing only 17% itself last year. An unusually large amount of revenues are residential and commercial, only 26% being industrial.

Northern Indiana Public Service came into the market in substantial amounts last year in connection with the liquidation of some of the old Insull holding companies. The present offering of 383,434 shares (out of a total of 2,182,000) represents holdings of Middle West Corp., Midland Realization Co., and Midland Utilities Co. The two latter companies will still retain about 134,000 shares (estimated) and there may be some small blocks of stock held by Wall Street houses or other interests (as the result of last year's distribution) which might come on to the market at some future time.

The stock has been quoted recently around 18-18½ or over 10 times the 1946 earnings of $1.89 per share. The current indicated dividend rate is $1.20, making the yield about 6.5%; 1946 earnings showed a substantial gain due to tax savings. Substituting present preferred dividend requirements (but not placing fixed charges or taxes on a pro forma basis) share earnings in 1942-45 ranged between $1.05-$1.35. However, operating income before Federal taxes has shown a steady growth during the period 1942-46, along with gross revenues.

The present dividend rate represents about 69% of last year's share earnings. There is, however, a rather complicated charter provision which apparently prohibits payment of more than 50% of the previous year's available common stock earnings in dividends, unless the common stock equity in the balance sheet exceeds 20%. At the end of last year the capital ratios were approximately 56% debt, 23% preferred stock and 21% common stock, so that apparently the restriction was not applicable. The company expects at some future date to refund its bonds and preferred stock. The dividend restriction provision is effective while "the" preferred stock is outstanding but whether this refers only to the present preferred stock or to a new issue as well is not entirely clear. At any rate it seems rather unlikely that the dividend restriction will come into effect since plant account has been written down and the depreciation reserve appears reasonably ample.

In 1946 the ratio of net operating income to net plant account (plus estimated working capital allowance) approximated 8%. There was a rate reduction of about $485,000 last May. Average residential revenues per kwh. in 1946 were 3.91¢.

Trading Markets in Common Stocks

Bates Manufacturing Co.
Bausch & Lomb Optical Co.
Buckeye Steel Castings Co.
*Crowell-Collier
Liberty Aircraft Products
Rockwell Manufacturing Co.
*Tennessee Gas & Transmission
U. S. Potash

**Prospectus on Request*

PAINE, WEBBER, JACKSON & CURTIS
ESTABLISHED 1879

New England Public Service
Plain Pfds.

Northern Indiana Public Service
Common

GILBERT J. POSTLEY & CO.
29 BROADWAY, NEW YORK 6, N. Y.
Direct Wire to Chicago

Peru's Foreign Debt Decision

WASHINGTON (Special to the "Chronicle")—There is some question here about the Peruvian law of February 28 relating to that country's foreign debt. Some think the law may contain a joker, mainly as a gesture to clear the way for Export-Import Bank credit.

The law provides that at the beginning of each fiscal year there shall be deposited an amount in Peruvian soles equivalent to the foreign exchange requirements of the foreign debt, such sums in Peruvian currency to be held for "opportune conversion" into foreign exchange by the central bank. Since Peru is chronically short of foreign exchange the question is, when will conversion be opportune?

Foreign Bondholders Protective Council, Inc. made available on March 12 the text (in translation) of legislation, passed Feb. 28, 1947 by both houses of the Peruvian Congress, empowering the Executive authority of Peru to resume service on the dollar bonds of the 7% and 6% issues of Peru, and on the 7½% issue of Callao, under a plan which would call for (1) cancelling all interest arrears earned until Dec. 31, 1946 (or for more than 16 years), and (2) depositing funds in the Central Reserve Bank of Peru for its opportune conversion into dollars for annual interest at 1% for 1947 and 1948, 1½% for 1949 and 1950, 2% for 1951 and 1952, and 2½% for 1953 and thereafter, and for annual accumulative amortization at ½%. The Council further says in part:

"The legislation empowers also the Provincial Council of the City of Lima to resume service on its foreign debt in the manner that it may deem convenient.

"The Council calls attention to the fact that no formal offer has been made to the bondholders under this legislation.

"If the government of Peru undertakes to resume service of its dollar bonds on the basis of the legislation of Feb. 28, 1947, the Council will not recommend to the holders of the dollar bonds acceptance of the plan proposed. Peru, in our judgment, can and should resume service on terms considerably nearer a recognition of its contract obligations."

Chas C. Seifert Dead

Charles C. Seifert of Vermilye Brothers, New York City, died of a heart attack at his home on February 26.

Strength and Vitality of Unlisted Market

By CLARENCE E. UNTERBERG*

President, New York Security Dealers Association

Asserting it is the public interest and not selfish impulses of security dealers that "weigh them in the balance," Mr. Unterberg calls for official recognition of the strength and vitality of the over-the-counter market. Points out unlisted markets exceeds in volume transactions on all exchanges, and urges all dealers to cooperate in fulfillment of their duty to protect public interest.

The Annual Dinners of the New York Security Dealers Association—and this is our twenty-first—have always been occasions for demonstrations of good fellowship on the part of members, their friends and business associates and distinguished guests who grace our table.

C. E. Unterberg

To the representatives of Securities and Exchange Commission, New York Stock Exchange, New York Curb Exchange, National Association of Securities Dealers, National Security Traders Association, New York Security Traders Association, I am honored to speak the welcome of the New York Security Dealers Association. We appreciate your coming and hope that you will enjoy yourselves.

This year it is our purpose to give full sway to that guiding spirit of these dinners. I would not be completely frank with you if I did not say that our program this evening—devoid as it is to be of any formal speeches—was arranged in answer to what, for want of a better word, I shall call a command. To put it more discretely and subtly, the members were asked if they wanted to hear a serious discussion at this dinner and the answer was a resounding: "Hell, no!"

So when I am through you may relax in earnest—and that soon. I am a cautious man not given to testing the patience of my fellow members.

However, because of the responsibility you have entrusted to me, I want to seize this opportunity to briefly strike one serious note.

Dealers' Community of Interest

Here tonight are 1,000 or more, directly and indirectly reliant upon the security business for a livelihood (not to mention the many absent thousands employed by and associated with us). We are underwriters, brokers and dealers, trading and retailing organizations, Stock Exchange members and non-members. We belong to local organizations of our business and to national or-

(Continued on page 1394)

*Speech of Mr. Unterberg, of C. E. Unterberg & Co., New York City, at the 21st Annual Dinner of the New York Security Dealers Association, March 7, 1947.

Threatened UFE Strike Against A. M. Kidder Co. Could Also Mean Strikes Against the Exchanges

By EDMOUR GERMAIN

There has been a lot of loose talk to the effect that now that the United Financial Employees, AFL, was victorious in a strike against the New York Cotton Exchange which lasted only one day, it will throw its strength against A. M. Kidder & Co., a brokerage house with which it is at loggerheads in negotiations for a contract. A strike may develop as so many say between the UFE and A. M. Kidder & Co. The union does talk strike once in a while, but it would be a safe bet, nevertheless, that it will act very slowly in that direction.

In the first place, the union itself keeps saying it does not want a strike, that it would like to obtain a peaceful settlement of the dispute with A. M. Kidder & Co. if possible. The fact that the union has not been precipitate in taking anything like what might seem as extreme action against the firm suggests to the outsider that it is not getting very far in its bargaining with the company and is tangible evidence it does really intend to move slowly and very slowly in the dispute.

A strike against A. M. Kidder & Co., as visualized by the union, would also very likely mean a strike against the New York Stock Exchange, the New York Curb Exchange and the New York Cotton Exchange. The sequence of events would possibly be something like this: First a strike would be declared, say, against A. M. Kidder & Co. and maybe also against some other houses in the Street with which the union has a quarrel. Simultaneously with the strike call, the union would probably notify the various Exchanges of its desire to cancel its contracts with them in 30 days. This the union would do so as not to put itself in the embarrassing position of crossing its own picket lines. Thus, at the end of the 30-day period, the contracts would cease to be in force. The union's attitude apparently is that no objection would be raised by the officers of any one of the Exchanges handling the business of struck firms but it certainly would not permit union members to do so. Refusal of the union members to handle this business might or might not lead to disciplinary action of some kind by the Exchanges. If the Exchanges took this kind of action, the union would undoubtedly strike against them.

In a way, all this sounds fantastic but yet this is the way conversation on the subject is drifting. It is anyone's guess as to what will happen. It is known that the union members who are employed at the New York Stock Exchange, for instance, like the contract they have with the Exchange and would not like to see the union cancel it without just and reasonable cause. The union no doubt has a hard choice to make. Its very life may hang in the balance, either way it goes. The fact that it is affiliated with the AFL of course means, too, that it may be aided in making this choice of action by national officers of the AFL. The union feels that the intervention of certain state officials, as for instance even a man like Gov. Dewey, may help and so may consequently seek that kind of intervention. Since strike action against A. M. Kidder & Co. would surely affect the whole

(Continued on page 1428)

Taft, Ruml and Blough On Budget and Taxes

Republican leader, in round table, discusses need for government tax reduction, with originator of "pay-as-you-go" tax plan and with former Treasury tax expert. Though all favor tax reduction, they differ as to amount and method. Ruml proposes a 20% income tax reduction, and additional exemption of $100 for dependents together with a cut in corporation tax from 38% to 34%. Opposes mandatory reduction of national debt from budget surplus. Taft fears renewed wage demands if taxes are not cut, but Blough urges delaying tax cuts until 1948.

A serious and timely discussion of the Federal Budget, under the auspices of the University of Chicago Round Table, was broadcast over the NBC network on March 9. The participants were Senator Robert A. Taft, Republican leader, Beardsley Ruml, Chairman of the Board of R. H. Macy & Co., Inc. and originator of pay-as-you-go income taxation, and Dr. Roy Blough, Professor of Economics, Chicago University, and formerly tax planning expert of the Treasury.

Robert A. Taft

Beardsley Ruml

Roy Blough

Senator Taft opened the discussion on "Should Taxes Be Reduced Now?" with the following statement:

"The President submitted a budget which calls for receipts of $39,100,000,000 and expenditures of 37½ billion dollars with a deficit of about a billion—I mean a surplus of about a 1½ billion dollars. That budget is now before Congress. Congress has differed somewhat about a cut, but there is general agreement on both House and Senate sides, and I may say with great Democratic support, that the President is wrong in saying that the budget cannot be cut, and that no tax reduction can be given. The program of Congress probably will appear in a conference report cutting about 5 billion dollars off the President's budget. That will leave a total excess of receipts over expenditures of about 6½ billion dollars. My own proposal is that 3½ billion dollars of that be applied to tax reduction on

(Continued on page 1396)

Conditions of Employment Stabilization

By BERTIL OHLIN*
Professor of Economics, University of Stockholm

Maintaining employment stability depends on investment stability, Dr. Ohlin outlines schemes for promoting investment stability. Says cost-price relationship should make profit expectations neither very pessimistic nor optimistic, and holds free wage movements are incompatible with controlled prices. Stresses importance of coordinating private and public investment and concludes stable average price levels create favorable employment conditions. Attacks yearly budget balancing, and sees international investment and economic cooperation as economic stabilizing factor, but denies all countries should be kept prosperous. Stresses importance of stability in rich nations.

I shall not attempt to compete with the writers who have recently published books on employment policy in presenting a relatively complete list of all the various policies that are relevant. I shall try, rather, to give a bird's eye view of certain important connections.

Dr. Bertil Ohlin

Obviously, the volume of employment depends on the volume of aggregate demand or the volume of expenditure relative to the height of the wage or earnings level, with due regard to the proportion of the national income that is paid out as interest and profit. I notice that quite frequently people seem to discuss volume of aggregate expenditure without mentioning that it must be measured in terms of the wages or earnings of one unit of labor, and without making the qualification as to the possible variations in the distribution of income between the income of labor and other types of income.

However, although employment does not vary in precise proportion to aggregate expenditure, even if earnings are constant, the deviations are not very important.

The different kinds of expenditure can conveniently be classed in five groups—a practice that has become usual in the last years. First, purchases for private consumption; second, public expenditure on current account; third, private investment; fourth, public investment; and fifth, net foreign investment.

It is generally accepted that stability in employment depends on stability in investment, and that therefore the sum of private and public investment at home and net foreign investment is the strategic quantity. If people and institutions want to save a certain proportion of the national income, that is compatible with full employment, then it is necessary that the volume of investment should agree with this willingness to save. If that is done, the demand by consumers will, practically

(Continued on page 1398)

*Transcript by the "Chronicle" of fifth lecture by Dr. Bertil Ohlin in the 1947 series of the Julius Beer lectures on "The Problem of Employment Stabilization," New York City, Feb. 17, 1947.

SCHENLEY DISTILLERS CORPORATION

NOTE—*From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 160 of a series.*
SCHENLEY DISTILLERS CORP.

Guest Editorial

By MARK MERIT

In the February 22nd, 1947 issue of The Publishers' Auxiliary, a weekly newspaper which claims, with pardonable pride, that it reaches the largest group of newspaper publishers in the United States, we find a "guest editorial" from which we just can't resist quoting some excerpts, as the basis for this article. The "guest editorial" is in the form of an "open letter reply" on the part of William J. Brown, publisher of the Chicora (Pa.) Herald, to a respected member of the cloth in his community, who has three times voiced his objections to the Herald's advertising policy. And now we quote:

"*Our paper accepts advertising for revenue. It would be financially impossible to operate without it. If you would deprive us of our living you would also deprive this community of its paper . . . If we deprived you of your collections we would, no doubt, deprive your church of its pastor. It's just that simple—a problem of economics. We feel there is a need in this community for both of us. We also feel that the vast majority of our paid subscribers in no manner find our advertising objectionable*".

"*You are attempting to exhume an issue that's dead and buried. The infamous Eighteenth Amendment nurtured an era of sin and crime to be abhorred by every clear thinking man and woman in America. This act was repudiated by the people of this state. Today there are other problems that need all of our energy. These problems could keep both of us busy for many weeks*". And Mr. Brown continues:

"*If your plan for the elimination of much of our advertising were effective, it would seriously hurt this paper. When you hurt one business in a small community you hurt all businesses, for each is dependent on his neighbor. The borough receives much revenue from the returned beverage tax, each year. Any drop in that, would have to be borne by the taxpayers and we're almost certain the citizens are not crusading for higher taxes . . .*"

End quote.

Period.

FREE—96-PAGE BOOK—*Send a postcard or letter to* MARK MERIT OF SCHENLEY DISTILLERS CORP., *Dept. 18A, 350 Fifth Ave., N. Y. 1, and you will receive a 96-page book containing reprints of earlier articles on various subjects.*

WE ARE PLEASED TO ANNOUNCE THAT

MR. ROYCE N. FLIPPIN

IS NOW ASSOCIATED WITH US IN OUR INSTITUTIONAL DEPARTMENT

Smith, Barney & Co.

Members New York Stock Exchange and other leading exchanges

14 WALL STREET, NEW YORK 5

PHILADELPHIA CHICAGO

We announce the installation of a

TRANSATLANTIC TELETYPE

providing direct, instantaneous, written communication with our correspondents in London

MODEL, ROLAND & STONE

Members New York Security Dealers Association

76 BEAVER STREET, NEW YORK 5, N. Y. BOwling Green 9-4623 Teletype NY 1-2525

Have You Told Your Customers *about* Equipment Trusts?

IN OUR underwriting and research capacities, we are frequently in a position to offer information stimulating to business in a particular field. This situation applies now with regard to railroad equipment trusts. Next to the obligations of the United States Government, railroad equipment trust certificates are the most generally available security adapted to the needs of the maturity-conscious institutional investor.

As a part of our regular cooperative service in fostering mutually profitable business, we shall be glad to discuss fully the attractiveness of this type of security in relation to your own customers' needs.

R. W. Pressprich & Co.

68 William Street, NEW YORK 5 Telephone HAnover 2-1700 Teletype NY 1-993

201 Devonshire Street, BOSTON 10

Members New York Stock Exchange

GOVERNMENT, MUNICIPAL, RAILROAD, PUBLIC UTILITY, INDUSTRIAL BONDS AND INVESTMENT STOCKS

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

CARTER H. CORBREY & CO.
Member, National Association of Securities Dealers
Wholesale Distributors
Middle West — Pacific Coast
For
UNDERWRITERS
SECONDARY MARKET DISTRIBUTION
CHICAGO 3 — 135 S. La Salle St. — State 6502 — CG 99
LOS ANGELES 14 — 650 S. Spring St. — Michigan 4181 — LA 255

We have an analysis of
Showers Brothers Co.
COMMON
Copies on request
CASWELL & CO.
120 South La Salle Street
CHICAGO 3, ILL.
Tele. CG 1122 Phone Central 5690

— TRADING MARKETS —
Nutrine Candy Co.
Common
Prospectus on request
Lear Inc.
Common
William A. Fuller & Co.
Members of Chicago Stock Exchange
209 S. La Salle Street • Chicago 4
Tel. Dearborn 5600 Tele. CG 146

Cent. Pub. Utility Corp.
Income 5½s, 1952
Chgo. No. Sh. & Milw. Ry. Co.
Common Stock
Brailsford & Co.
208 S. La Salle Street
CHICAGO 4
Tel. State 9868 CG 95

Colorado Milling & Elev., Com.
*National Tank Co., Com.
Central Steel & Wire Co., Common
*Seismograph Service Corp., Com.
*Prospectus Available on Request.
Paul H. Davis & Co.
Established 1916
Members Principal Stock Exchanges Chicago Board of Trade
10 So. La Salle St., Chicago 3
Tel. Franklin 8622 Teletype CG 405
Indianapolis, Ind. • Rockford, Ill. • Cleveland, Ohio

SINCE 1908
FRED. W. FAIRMAN CO.
Central Public Utility
5½'s of '52
Write for our Brochure analyzing these Bonds.
208 SOUTH LA SALLE ST.
CHICAGO 4, ILLINOIS
Telephone Randolph 4068
Direct Private Wire to New York
Bell System CG 537

Dealer-Broker Investment Recommendations and Literature

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

Aviation Bulletin — Containing news, earnings, prices, comment and general market opinion—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Bank and Insurance Stock Digest —Contains disscussion of fire insurance earnings and brief data on several interesting situations — Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

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.

Comparative Statement of 1945-1946 for Fire and Casualty Insurance Companies—Mackubin, Legg, & Co., 22 Light Street, Baltimore 3, Md.

Copper Industry — Analysis of situation which appears favorable —H. Hentz & Co., 60 Beaver Street, New York 4, 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.

Manual of St. Louis Bank Stocks—1947 Edition, facts and figures on principal banks in and around St. Louis—G. H. Walker & Co., Inc., Broadway & Locust, St. Louis, Mo.

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.

Petroleum Industry — Summary and outlook—in the "Fortnightly Market and Business Survey" — E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Railroad Developments of the Week—Summary—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Review of Railroads in the Process of Reorganization—Detailed study — Carreau & Co., 63 Wall Street, New York 5, N. Y.

Securities Are Perishable!—Discussion of changing market situation and its effect on evaluation of securities — Address Department T-92, Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

American Water Works & Electric Co.—Analysis and outlook—Jacques Coe & Co., 39 Broadway, New York 6, N. Y.

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

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

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

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

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

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

Chicago Railways Co.—Analysis and possibilities for speculation—Arthur Wiesenberger & Co., 61 Broadway, New York 6, N. Y.

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

R. Hoe & Company—New analysis—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Houston Oil Co. of Texas—Memorandum—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Also available is an analysis of the prospects for **Wilson & Co., Inc.**

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

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

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

Line Material Co.—New analysis showing how company will benefit by expansion in utility service demands—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Also available is the current issue of the firm's **"Business and Financial Digest."**

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.

National Paper & Type Co. — Analysis of prospects — Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

Also available is a list of stocks which appear interesting.

National Terminals Corp.—New report—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Polaroid Co.—Analysis and recent developments—Ward & Co., 120 Broadway, New York 5, N. Y.

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

Portland Electric Power Co. — Descriptive booklet available on company for which a plan of reorganization, resulting in a distribution of cash and common stock, is now being submitted to security holders—Blyth & Co. Inc., 14 Wall Street, New York 5, N. Y.

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.

Southern Pacific Railroad System vs. Pennsylvania Railroad System—Research report—Thomas G. Campbell and William T. Campbell—$10.00 per copy.

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

Also available are memoranda on **Colorado Milling & Elevator Co.** and **International Detrola Corp.**

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

Warner Co. — Memorandum on outlook—H. M. Byllesby and Co., Stock Exchange Building, Philadelphia 2, Pa.

S. D. Warren Co.—Analysis—May & Gannon, Inc., 161 Devonshire Street, Boston 10, Mass.

Also available is a detailed report on **Hytron Radio and Electronics Corp.**

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

We Maintain Active Markets in
DEEP ROCK OIL CORP. Common
CHICAGO SO. SHORE & SO. BEND RR Com.
NORTHERN STATES POWER CO. 6% & 7% Pfds.
H. M. Byllesby and Company
Incorporated
135 So. La Salle Street, Chicago 3
Telephone State 8711 Teletype CG 273
New York Philadelphia Pittsburgh Minneapolis

NSTA Notes

NSTA MUNICIPAL COMMITTEE

Ludwell A. Strader of Scott, Horner & Mason, Inc., Lynchburg, Virgina, Chairman of the Municipal Committee of the National Security Traders Association announces the following members:

Stanley G. McKie, The Weil, Roth & Irving Co., Cincinnati, Vice-Chairman; Russell M. Ergood, Jr., Stroud & Co., Philadelphia; Harold Chapel, McDonald-Moore & Co., Detroit; H. Frank Burkholder, Equitable Securities Corp., New Orleans; J. Creighton Riepe, Alex. Brown & Sons, Baltimore.

Mr. Strader states that the purpose of this committee will be to collect, evaluate, and disseminate information in the municipal field which will be of value to members of the NSTA.

CLEVELAND SECURITY TRADERS ASSOCIATION

The Cleveland Security Traders Association will hold their Annual dinner on Friday, March 28th.

DALLAS BOND CLUB

New officers and directors of the Dallas Bond Club, to serve for 1947 are as follows:

Judson S. James W. C. Jackson, Jr. Joe W. Ellis William Waggener

President: Judson S. James, James & Stayart Co. **Vice-President:** W. C. Jackson, Jr., First Southwest Co. **Secretary:** William Waggener, Walker, Austin & Waggener. **Treasurer:** Joe W. Ellis, R. A. Underwood & Co. **Directors:** Charles B. Carothers, Carothers & Co.; O. V. Cecil, R. S. Hudson & Co.; C. Alfred Bailey, Dittmar & Co.

Illinois Brevities

Federal Judge Igoe last week in Chicago signed an order of sale for the Chicago Surface Lines, setting April 22 as the date of the actual sale to the Chicago Transit Authority and giving the public-ownership group until June 30 to raise the $90,000,000 needed to buy the street-car companies and the Chicago Rapid Transit Co. and pay some initial expenses. A similar order will be brought into court for the elevated lines March 19.

The transit authority's offering of a proposed $90,000,000 issue of reverence bonds thus looms for June, a time selected because it will give the market a full month to absorb the Illinois state veterans' bonus issue.

The purchase price of the street-car lines has been set at $75,000,000 and that of the elevated at $12,162,000. Judge Igoe, in signing the order, pointed out that there was no "firm Commitment" from any underwriting group on the revenue bond issue, but said such a commitment could not be expected until the actual machinery of the sale in set in motion.

* * *

Two dramatic events were big enough to hold the public as well as the trading eye in Chicago. One, of course, was the spectacular rise to new high prices of grain futures, because of government absorption of surplus and the boxcar shortage. The other was the disclosure that the record $300,000,000 issue of veterans' bonus payment serial bonds will be put up for award by the state of Illinois about May 1.

A survey by the Chicago Association of Commerce and Industry showed that the boxcar shortage was getting serious. Members of the association report daily shortages ranging from 10 to 60% of needs and say serious production cuts may result in two months.

* * *

Kenneth R. Wells, Assistant Vice-President of the American National Bank & Trust Co. of Chicago, told the convention of Associated Equipment Distributors that instalment credit terms should be tightened now, if only to provide a cushion against liberalization later. He explained:

"If today we offer terms of 25% down and 18 months to pay, the only way those terms can be liberalized is to reduce down-payments to 20, or 10%, and extend payment periods to two or three years. On the other hand, if we get one-third down today and make the balance payable in not to exceed 12 months, we can later reduce terms and still have a sound transaction."

* * *

International Harvester Co. announced its withdrawal from iron ore mining operations when it sold the plant and equipment of the Wisconsin Steel Ore Mines to the Cleveland-Cliffs Iron Co. The mines had been idled more than a year by a strike.

* * *

George Eastwood, President of Armour & Co. since 1939 and with the meat-packing company for 50 years, was elected Chairman of the board and Chief Executive. F. W. Specht becomes President.

* * *

Chester C. Davis, President of the Federal Reserve Bank of St. Louis, urged that a new organization be formed to push a soil conservation program on Illinois farms. Mr. Davis made this recommendation at the Illinois Bankers Association's Midwinter conference.

* * *

Reduction of home mortgage interest rates would be unwise at this time, the National Association of Home Builders was told in Chicago by John H. Fahey, Federal Home Loan Bank Commissioner. He said such a decrease might result in actually decreasing the amount of money available. Howard B. Smith of the American Bankers Association said long-term FHA mortgages on owner-occupied homes would become unattractive to many mortgagees if interest rates were to be reduced from 4 to 3½%.

Mr. Smith said it would "tend to inflate prices further since additional credit alone does not increase the supply of housing" if the purchasing power of the public is enhanced by reduction of down payment and extension of mortgage term as proposed in housing bills.

* * *

The Federal Reserve Bank of Chicago said it has observed greater caution and selectivity on the part of commercial banks, and said they were scrutininzing carefully new and renewal applications for commercial and industrial loans.

* * *

At the request of the War Department, Sears, Roebuck & Co. has installed catalog shopping services in community exchange stores in the American occupation zone in Germany. Goods will be sold at listed prices plus Philadelphia to New York parcel post charges, and express or air shipments will be paid for by the customer.

* * *

C. R. Smith, Board Chairman of American Airlines, blamed the financial troubles of the airlines on the violation of basic economic principles in their expansion. Both the airlines and the government are to blame for asking for and permitting an "illogical grouping," he said. He told the Executives' Club of Chicago that the "relative ease of starting new air routes deceived and continues to deceive many."

Curb Clearing Corp. Re-elects Moffatt

Fred C. Moffatt has been re-elected President of the New York Curb Exchange Securities Clearing Corporation for the ensuing year, to serve his thirteenth term in that post, at a regular meeting of the board of directors of the corporation.

Other officers re-elected include David U. Page, Vice-President; James A. Corcoran, 2nd Vice-President; William B. Steinhardt, Secretary and Treasurer; C. E. Sheridan, Assistant Secretary; and Bertram R. Lowenfels, Assistant Treasurer. Mr. Corcoran, Mr. Lowenfels, Mr. Page and Mr. Steinhardt were reappointed members of the executive committee with Mr. Moffatt, who acts as Chairman.

At the annual meeting of stockholders, Mr. Corcoran, Mr. Page and William Will were re-elected directors of the Curb Clearing Corporation to serve until March, 1950. Philip F. Hartung, Harris, Upham & Co., has been elected a director of the corporation to serve until March, 1948.

One of the principal organizers of the Curb Clearing Corporation in 1931, Mr. Moffatt became its first president in that year and has held the post continuously except for a period of four years from 1935 through 1938, when he was President of the New York Curb Exchange. During this period he was a director of the Clearing Corporation.

Mr. Moffatt also served as Chairman of the board of governors of the Curb Exchange from 1941 through 1944 and as its President pro tem from July, 1942 through 1945, when Edwin Posner became Chairman and President.

British Loan Made to French Industry by Lazard Brothers & Co., Not by Hambros Bank

In the issue of the "Chronicle" of February 6, on page 745, it was stated in an article by Dr. Paul Einzig, entitled "London as a Banking Center," that a banking credit to the French woolen industry was made by a London banking group headed by Hambros Bank. This credit amounting to £12,500,000 was arranged by Lazard Brothers & Co. of London and not Hambros Bank, with various London banking institutions. The loan was granted to the Groupement d'Importation et de Repartition de la Laine," a French company under governmental auspicies which comprises the entire wool textile industry of France.

Reinbursement of the loan for the period terminating in the middle of 1948 is linked with the exportation of French wool products. The exchange risk is covered by forward exchange contracts of the Bank of France in favor of Lazard Brothers & Co., to meet drafts and advances at maturity.

All arrangements in France relative to the credit guarantee will be made by Lazard Freres & Co., of Paris, as trustees.

The transaction was approved by the Bank of England, the British Treasury and the French authorities.

Making Good on GI Exchange Loss

Correspondent reveals withdrawal of old Army scrip in Europe and Japan. No plan has been set to cover estimated $50 million loss on foreign-exchange operations of Army.

WASHINGTON (Special to the "Chronicle").—During the past week the American Army in Europe and Japan without warning called in all outstanding dollar scrip held by authorized military and civilian personnel and substituted new dollar scrip of different colors. The move which General McNarney stated may be repeated from time to time, had as its purpose to squeeze out counterfeiters and black-market possessors of these notes, which were introduced last September—as described at the time in the "Chronicle"—to end the GI racket in remitting home at Uncle Sam's expense their illegal winnings from dealings with the Russians and Germans. The scrip issued in September was advertised in "Stars and Stripes" as being counterfeit-proof. However, even at home, American currency is counterfeited from time to time. The Army's dollar scrip has proved no exception. In the "Chronicle" of Oct. 3, 1946, the writer reported from Germany that the United States had lost at least $50,000,000 to GI's and others as a result of the loose systems of foreign-exchange operation employed by the Army in that theatre. About a fortnight ago the British GI-currency problem, similar in nature but smaller in scale, came up in Parliament. The British Government proposes to make good the losses by a budgetary appropriation of £20,000,000, covering not only Germany, but all areas.

No such plan has been brought forth by the American Government. Instead the whole matter is buried as a military secret. The figure reported by the "Chronicle" has not been denied, and it is not likely to be. Rather, the Army may be expected to cover up the losses in various ways. Army finance officers can be counted upon to discover quite a few methods.

For instance, past losses through payment of dollars to GI's for marks acquired by the latter illegitimately now can be covered up by the sale for dollars in Army PXs of goods the Army has bought for marks. In this way, the GI's illegal marks later acquired by the Army are now worked off on the German economy.

Excess marks held by the Army also may be gradually worked off, to some extent, by sale to businessmen, correspondents and others visiting Germany and wanting some currency for use outside American Army establishments where only dollar scrip is acceptable. Even the GI's now in Germany sometimes want small quantities of marks from finance officers. In this case, the present GI makes good the "winnings" of his predecessor of previous years.

There has been no indication that the Congress has sought from the War Department a complete accounting of this mysterious subject.

Theodore Blanchard in NY

Theodore Blanchard is resuming his investment business from offices at 25 Broadway, New York City.

Active Trading Markets in

R. Hoe & Co., Inc.

Class A, Class B and Common Stocks

The oldest manufacturer of newspaper and magazine printing presses in the country. Now booked to capacity for more than two years and turning out presses in record volume.

Recapitalization plan formally ratified; new securities now ready.

New Analysis Available

ADAMS & CO.
231 SOUTH LA SALLE STREET
CHICAGO 4, ILLINOIS
TELETYPE CG 361 PHONE STATE 0101

Aeronca Aircraft Corp.
Baltimore Transit Co. Pfd.
Burgess Battery Co. Com.
Chgo. Auro. & Elgin Ry. Units
Decker Mfg. Co. Com.
Howard Industries, Inc.
*Hydraulic Press Mfg. Co.
Old Ben Coal Corporation
*Long-Bell Lumber Company
*Miller Manufacturing Co.
Oil Exploration Co. Com.
Trailmobile Company

*Detailed analysis available on request

COMSTOCK & Co.
CHICAGO 4
231 So. La Salle St. Dearborn 1501
Teletype CG 955

Trading Markets

Abitibi P. & P. Co. Com. & Pfd.
Brown Co. Com. & Pfd.
Cinema Television
Fresnillo Co.
Gaumont British Pictures
Minn. & Ontario Paper, Com.
Oroville Dredging
Rhodesian Anglo American
Rhodesia Broken Hills
Rhodesian Selection Trust
San Francisco Mines (Mexico)
Scophony, Ltd.
Steep Rock Iron Mines
Vicana Sugar Co. 6/55
Vicana Sugar Co., Common

ZIPPIN & COMPANY
Specialists in Foreign Securities
208 S. La Salle Street
Chicago 4, Illinois
Randolph 4696 CG 451

Serving Investment Dealers

We specialize exclusively in underwriting and distribution of securities, providing investment dealers with attractive issues for their clients. Maintaining no retail department of our own, we compete in no way with dealers, but serve them exclusively. Correspondence invited.

FLOYD D. CERF CO.
120 South La Salle Street
Chicago

Recent Analyses on Request

Merchants Distilling Corp.
Common Stock

Standard Silica Corp.
Common Stock

FAROLL & COMPANY
Member New York Stock Exchange and other Principal Exchanges
208 So. La Salle St.
CHICAGO 4
Phone Andover 1430 Tele. CG 156

Wisconsin Bankshares
CAPITAL STOCK
Listed on the Chicago Stock Exchange
Your Inquiries Invited!

★

LOEWI & CO.
Members: Chicago Stock Exchange
225 EAST MASON ST. MILWAUKEE (2)
PHONES—Daly 5392 Chicago: State 0933 Teletype MI 488

Greiss Fleger Com.
Nu Enamel Com.
Industrial Brownhoist
Common
Hearst Class A
Long Bell Lumber Co.
Common

STRAUS & BLOSSER
Members New York Stock Exchange
Members Chicago Stock Exchange
Associate Member New York Curb
135 South La Salle St., Chicago 3, Ill.
Tel. ANDover 5700 Tele. CG 650-651

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Real Estate Securities

A trader whose over-the-counter specialty is the lesser-known issues on the market believes that some investors anyhow could with profit pay more attention to the "sleepers," that is, the seemingly least attractive and so usually the most inactive securities, in the real estate field. "Sleepers" have been known to produce astonishing yields to speculators at various times in the past and the possibilities for spectacular gains which this whole class of securities continues to hold for many investors in real estate securities should not be overlooked, he argues.

To anyone who can see the whole picture, it certainly isn't surprising that interest in "sleepers" among the real estate securities should be stirring in some quarters, among traders, such as the trader noted above, and others, particularly at this time when earnings on many properties are at their highest levels in years. Of course, just as it is easy to be pessimistic about Europe at the moment, it is just as easy to be optimistic now about real estate investments. Americans, it has been said, think that once good times have arrived prosperity will last forever, but American economic greatness probably has stemmed from this kind of enthusiasm.

It should be possible to sound a note of sober caution in any period of exuberant spirits, however, without in any way dampening legitimate enthusiasm. There is no doubt that certain fundamental factors underlying the real estate market today are healthy and strong where once they were anemic and weak, to say the least. Some securities which were once discarded in wholesale fashion by disgusted investors are now undoubtedly taking on increasingly attractive features in the eyes of many of the market-wise. For the next five years or more, it is believed all around, real estate earnings should remain very high and the prices of securities of the various properties will most likely reflect this happy condition.

After all, too, water has been pretty generally shaken out of real estate issues wherever it was discovered to exist. The burden of debt which many properties had to carry has been eased considerably. Throughout the field, there has been a conspicuous improvement in financial structures. This improvement, better business and the resulting heavy liquidation of debt naturally have also tended to enhance equity values, in fact, to enhance the values of all types of real estate securities. It is likely now that many properties will take advantage of their improved financial status to ease further without delay the burden of remaining debt through refinancing their obligations at lower rates of interest wherever this action may be possible or advisable and so prepare themselves for any possible other shocks which they may suffer from decreased incomes at any time in the foreseeable future.

Business men who are not afraid to speculate, as it were, with some of their money are the only people who should think of buying securities in the "sleeper" class. No one with limited funds to spend should even take a look at the "sleepers." Certainly no one would be justified in borrowing money to purchase "sleepers." The folks, who invest in "sleepers" must or should be able as well as willing to put the various securities they buy in a strong box and forget them for a few years.

By way of illustrating his general thesis, this trader mentions the common stock of the Jones Estate Corporation in which he has taken a position. There are 180,000 shares of this stock of which roughly two-thirds are held by one of the tenants, a large manufacturing corporation with a long record of conspicuous and profitable enterprise. Trading in this stock is almost non-existent. The corporation also owns all of nearly 17,000 shares of $4 cumulative preferred stock entitled to a preference of $100 per share which is to be retired at $150,000 a year commencing April 1 until the aggregate of the sinking fund amounts to the sum of 66⅔% of the greatest number of shares outstanding multiplied by $100. A large insurance company holds a first mortgage on the property which bears interest at the rate of 4% a year and which, after the annual instalment of $100,000 toward principal this year, will amount to $3,925,000.

All 345,000 square feet of floor space in the building, located on a choice corner site facing Central Park, is 100% occupied and has been for some time and long-term leases have been drawn up with the tenants, numbering 111, including the chief stockholder. Rental income in the last fiscal year, ending Jan. 31, 1947, was $1,148,960 which was nearly a half million dollars more than it was four years ago. With the earnings prospects bright for another five years at least, the possibility is good that refinancing may be attempted to retire both the preferred stock and the existing mortgage to save on interest charges. Two possible obstacles stand in the way of refinancing, one, the fact that conversion of the preferred stock into a new lower rate mortgage would, so far as the owners of the preferred are concerned, change their holdings to a defaultable security and, two, the fact that under the terms of the existing mortgage agreement, a sum equal to ¼ of 1% on the unpaid balance of the principal would have to be paid to the insurance company for each year of the unexpired term. In the light of all these considerations, the trader thinks that the common stock which was selling for $17 last July and which fell to $12 in September and to $7¾ at a later date but is now selling around $9¾ to $10½ is worth $25 easily. Last June another analyst, basing his calculations on the fact that excellently located office buildings were being appraised at nine times their rental income, thought the stock had a value of $23 a share.

REAL ESTATE SECURITIES
* * *
SHASKAN & CO.
Members New York Stock Exchange
Members New York Curb Exchange
40 EXCHANGE PL., N.Y. Digby 4-4950
Bell Teletype NY 1-953

Firm Trading Markets:
California & New York Real Estate Issues
J. S. Strauss & Co.
155 Montgomery St., San Francisco 4
Tele. SF 61 & 62 EXbrook 8515

Real Estate Securities
Prince & Lafayette Streets 5s '52 W.S.—New York
Bankers Bldg., Inc.—Chicago 3-5s '60 W.S.
Wacker Wells Bldg.
Roosevelt Hotel, Common St. Louis
Myles Standish Co. Boston
VALIQUET & CO.
135 So. La Salle St.
CHICAGO
CG-81 Central 4402

Snyder Denies Change In Treasury Int. Policy

In response to inquiries received at the Treasury Dept., Secretary Synder announced on March 7 that no changes in the interest rate policy of the Government at this time are under contemplation.

John W. Snyder

He cautioned against any interpretation of recent newspaper articles indicating that a rise in rates is imminent. He said that all phases of debt management are under constant study by the Treasury and Federal Reserve, and that there has been no change in the policy announced by the President in his Budget Message that "interest rates will be kept at present low levels through continued cooperation of the Treasury Department and the Federal Reserve System."

The technical methods by which the Government's interest rate policy will be carried out are also under constant study in collaboration with the Federal Reserve Open Market Committee and others interested in the subject.

The Secretary stated that the Treasury is alert to the Government bond market and the effect of its financing on bank reserves and the needs of different classes of investors.

OFFERINGS WANTED

Broadway-Barclay 2s, 1956
Broadway-Trinity Pl. 4½s, 1963 WS
Broadway & 41st St. 4½s, 1954
Gramercy Park Bldg. 6s, 1949 WS
Gov. Clinton 2s, 1952 WS
Hilton Hotels Preferred
Hotel St. George 4s, 1950
Lincoln Bldg. 5½s, 1963 WS
Madison-52nd St. 5s, 1952
Manqueen Corp. 5s, 1952 WS
New York Towers 2s, 1960 WS
Pittsburgh Hotels VTC
Roosevelt Hotel 5s, 1964
Roosevelt Hotel Common
Wall & Beaver St. 4½s, WS
Westinghouse Bldg. Par. Ctfs. CBI
40 Wall St. 5s, 1966 WS
61 Broadway Corp. Stock
870 7th Ave. 4½s, 1957 WS

AMOTT, BAKER & CO.
Incorporated
150 Broadway New York 7, N. Y.
Tel. BArclay 7-4880 Teletype NY 1-588

America Has Stake in Austrian Reconstruction

By ERNEST H. WEINWURM

Holding government grants and loans cannot solve the Austrian problem, Mr. Weinwurm advocates American direct investments in Austria which would be protected by the American army in near-by Bavaria and based upon natural resources such as water-power, iron ore and lumber. Says expansion of Austrian exports and tourist traffic with American assistance would improve Austria's dollar position and help service Austrian investments. Contends risks can be held within reasonable limits. Concludes American free enterprise has opportunity to prove its superiority through deeds in a part of the world where totalitarianism seeks to assert itself.

Negotiations for an Austrian treaty awaiting attention of the Foreign Ministers' Conference now under way at Moscow turn the spotlight on that country and Central Europe in general while during 1946 attention had been focused on the Balkan and Mediterranean areas in connection with the preparation of peace treaties with Italy and the Satellite countries.

Ernest H. Weinwurm

The United States has stressed repeatedly its interest in the Austrian settlement; Americans are participating in the Control Council for Austria, American troops are occupying part of the country and large amounts of American money have been spent already for Austrian rehabilitation partly from Army funds and partly through UNRRA, the latter amounting to some $84,000,000.

Austria has been granted a $10,000,000 credit for the purchase of army surplus material which may be increased to $25,000,000. Application has been made for a $50,000,000 loan from the Export Import Bank for the purchase of raw materials and industrial machinery. Moreover, the country is slated to get a share of a $300,000,000 appropriation included in the War Department budget 1948 to finance relief in occupied countries.

Austrian Problems Need Consideration By American Business

These heavy commitments in both the political and economic field warrant more attention to Austrian problems than has been given them so far by the American people and particularly by American business. It will be seen that the latter has a much greater stake in developments in that distant country than is generally realized. Following a brief general review of present economic conditions in Austria, attention will be called on possible contributions American business could make toward a solution of

(Continued on page 1408)

Policy Issues at Export-Import Bank

Chairman Martin explains changed policy of lending for long-range, in lieu of emergency reconstruction purposes. Reconstruction help applications now going to World Bank. Holds loans should be used for improving foreigners' balance-of-payments position. Urges us to live up to growing creditor status by promoting useful and economically desirable imports. In his report to Congress he points to a favorable foreign trade outlook and contends unused U. S. foreign loans portend increased exports.

WASHINGTON (Special to the "Chronicle")—Interviewed by the "Chronicle's" correspondent on the occasion of the issuance of the Export-Import Bank's Third Semi-annual Report to Congress, the Bank's Chairman, William McChesney Martin, drew special attention to policy issues faced by the Bank during the last half of 1946. These, according to Mr. Martin, were (1) the position of the Bank regarding further reconstruction credits, (2) current proposals for the extension by the Bank of export credit and transfer guaranties, (3) the question of the rates of interest on the Bank's loans, and (4) the policy of the Bank with respect to imports.

W. McC. Martin, Jr.

"As pointed out in the report," said Mr. Martin, "the increase of $2,800,000,000 in its lending authority granted by the Congress in July 1945, was intended chiefly to enable the Bank to extend emergency reconstruction credits to liberated and war-devasted countries during the period until the World Bank should open for business. The Export-Import Bank proceeded to authorize such credits, mainly at long term and for a wide variety of specified purposes.

"As of the end of May 1946, authorizations of this type aggregated approximately $2,100,000,000 and an aditional $500,000,000 had been earmarked for possible further credits to China. Thus, all but $200,000,000 of the Bank's increased lending authority had been committed or earmarked at that time. In June, the International Bank announced that it was open for business and ready to receive applications from its members for loans.

"Under these circumstances, the Export-Import Bank has decided that it must bring to an end its program of emergency reconstruction credits and that this decision should apply especially to countries which have access to the facilities of the World Bank," Mr. Martin continued. "The Export-Import Bank continues to consider, however, in accordance with its general powers and policies, credits to finance trade with countries undergoing reconstruction as well as with other countries. It is the policy of this Bank that the credits which it authorizes shall be for specific purposes, shall contribute in the most direct manner to a balanced long-range expansion of foreign trade, and shall be on terms appropriate to the circum-

(Continued on page 1416)

The Federal Budget—The Turning Point

By ARTHUR A. BALLANTINE*

Formerly Under-Secretary of the Treasury

Holding end of lavish spending is more important objective than amount of budget reduction, former Republican Treasury official scores Truman budget as excessive, but admits task of reduction, without sacrificing essential government functions and defense needs is difficult. Points out a sound budget, upon which productive economic life depends, is itself a part of national defense. Holds debt should be reduced not by fixed figures but by available revenue and says there is need for income tax reductions.

A courageous course in federal finance is essential to national defense and to production upon which all depend. Whether we can put a stop to the policy of lavish spending and proceed with debt and tax reduction is the issue, not the exact amount of reduction.

A. A. Ballantine

Two great considerations confront at the outset.

One is the stupendous Federal debt, now about $260,000,000,000. That sum amounts to about $2,000 a person in the country or about $7,000 a family. The debt now calls for annual interest of about $5,000,000,000.

Handling the debt involves the safety of the people's savings, the basis of the business life of the country and, ultimately, national defense. A huge debt would handicap the nation in meeting any new emergency.

The other great consideration is the stupendous burden of national expenditures.

The Truman Budget

The budget presented by President Truman to Congress calls for expenditures of $37,500,000,000 for the fiscal year beginning July 1. That amount is more than the whole amount spent by the Government in World War I; more than four times average annual expenditures for the whole cost of the Federal Government during the lavish spending days of the thirties; it amounts to more than $900 a year for each family.

Estimated revenues forecast in the President's budget indicate a surplus of $200,000,000. Even this slender surplus depends upon increase in estimated revenues over estimates of a year earlier by a figure approaching $7,000,000,000. The large upward revision results of course from unexpectedly fa-

(Continued on page 1426)

*An address by Mr. Ballantine, a partner in Root, Ballantine, Harlan, Bushby & Palmer, at a luncheon of the New York Young Republican Club, New York City, March 6, 1947.

Put Your Money in a Bank

*By EDWARD C. RANDOLPH

Assistant Vice-President, The Trenton Banking Company

Commenting on decline in the yields of government and high grade long-term securities, as contrasted with increasing volume of bank commercial loans, bank official points out most beneficent use of public's money now is placing it in a bank.

The conditions and events of August, 1945, are in the library of common knowledge. The 14th was V-J Day and with it came the dawn of a new era. The new era has been marked by rising loans in the banks of this country.

Edward C. Randolph

Loans of the average bank have risen more than 40% since V-J Day. In 1946 the average rate on commercial loans was lower than it was in 1945.

With respect to investments, it has been marked by an extension of the decline in yields that started in the Fall of 1944.

In the average bank, such investments were increased more than 6%, at the expense of secondary reserves. It sold Treasury bills and certificates in the face of rising loans to purchase longer-term bonds. Consequently, yields on short, medium and long-term Treasury bonds declined. Between V-J Day and April 6, 1946, they declined more than ¼ of 1%.

Between Oct. 31, 1944 and April 6, 1946, the average yield on such bonds declined more than ½ of 1%. The price of long-term bonds rose more than 9 points. The price of medium-term bonds rose more than 6 points, with a drop in yield almost ⅜s of 1%.

That decline in yields on Treasury bonds set the pace for high grade bonds of every description. The Union Pacific Railroad was able to float an issue with 45 years to run at prices to yield 2.4%. Yields on high grade preferred stock declined from about 4 to less than 3½%. The extent to which yields declined was a scourge to bank and non-bank investors, especially trustees who had to invest and reinvest during that period at progressively lower rates. It was instrumental in raising the cost of life insurance. With prices for the necessities of life going up, it squeezed many widows and orphans whose sole support comes from insurance and small trust funds.

On April 7, 1946, Government bond prices went into a decline. The downward trend continued until Dec. 2, 1946. During that period the price of long-term Treasury bonds declined almost 5 points with a rise in yield ¼ of 1%. Medium-term bonds lost more than 4 points with a rise in yield ⅜s of 1%. Nevertheless, prices and yields are not so attractive as they were in the Fall of 1944.

Current Developments

For about two months, from Nov. 6, 1946 to Jan. 8, 1947, it seems as though the Weekly Reporting Member Banks operated with their position on Nov. 6, 1946 as NORMAL. This means that primary and secondary reserves declined no more than deposits, excluding the interim rise in time accounts. And they sold bonds to match the rise in loans during that period.

Whether or not they will continue to operate accordingly remains to be seen. If they do, it would seem appropriate for each to extend the following invitation to whom it may concern:

Put Your Money In A Bank, this bank, where it will not be used against the owners of life insurance and the beneficiaries of trust funds in general.

Between Nov. 6, 1946 and Dec. 4, 1946, when on balance they sold only $108 million Treasury bonds, the average yield on medium-term Treasury bonds rose about 1/10 of 1%. The yield on short and long-term bonds rose about half as much. To be sure, that rise in yield on the pacemakers was not very great. Nevertheless, it seems to say that the commercial banks of this country can do something about raising the wages of capital. A Reserve Policy based upon the following considerations is indicated by the facts of record: (1) The nature of deposit liabilities. (2) The liquidity of loans and investments. (3) National monetary policy, and (4) The welfare of all concerned, instead of nothing more than profit and loss statements that are pleasing to stockholders.

With Carter H. Corbrey

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Lynn A. Hart has become associated with Carter H. Corbrey & Co., 650 South Spring Street. Mr. Hart was formerly with First California Company.

Reynolds & Co. Offers Univer. Winding Stock

Formal public offering of 100,000 shares of 90-cent convertible preferred stock, par value $15, was made March 7 by an underwriting group headed by Reynolds & Co. and including G. H. Walker & Co. and Harris, Hall & Co. (Inc.) The offering price was $16.50 per share plus accrued dividends from March 1, 1947.

Net proceeds from the sale of this stock will be used to pay expenses recently incurred to convert the company's former foundry building to manufacturing purposes, to pay short-term loans which were obtained to finance increased inventories and accounts receivable, and the balance will be added to working capital.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these Shares for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

383,434 Shares

Northern Indiana Public Service Company

Common Stock

Without Par Value

Price $18.75 per share

Copies of the Prospectus may be obtained from the undersigned only by persons to whom the undersigned may legally offer these securities under applicable securities laws.

Blyth & Co., Inc.

March 12, 1947

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these Shares for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

140,614 Shares

Mountain States Power Company

Common Stock

(Without Par Value)

Price $34.50 per share

Copies of the Prospectus may be obtained from the undersigned only by persons to whom the undersigned may legally offer these securities under applicable securities laws.

Blyth & Co., Inc.

Dean Witter & Co. First California Company

Elworthy & Co. Lester & Co. Schwabacher & Co. Shuman, Agnew & Co.

Dick & Merle-Smith Graham, Parsons & Co. Pacific Northwest Company Sutro & Co.

March 12, 1947

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

In reading over the annual reports to stockholders submitted by the presidents of various fire insurance companies, a number of matters of interest are introduced which it seems worth while to pass along to readers of this column.

For example, Mr. H. W. Tomlinson of Agricultural Insurance, makes clear in few words a matter that has puzzled many followers of fire insurance stocks, viz: the peculiarities of fire insurance accounting which results in reporting underwriting losses when premium income expands. He explains the phenomenon in the following words: "I think you all realize that when a premium is written the law requires it to be set aside in a reserve for unearned premiums. Only the pro rata share is taken into income as it is earned. Hence it is obvious that there is a long delay in fully earning the premiums, particularly on three and five-year policies. The result is that when the volume increases as compared to previous periods the amount necessary to be transferred to the unearned premium reserve greatly exceeds the premiums earned on expiring policies. But all of the expense of putting this business on our books, agency commissions, taxes, salaries, etc., must be paid for in cash at the inception of the policy and is a direct charge to earnings and surplus. The outcome is contrary to that experienced by most industrial and commercial enterprises which normally expect to show greater immediate profits on an expanding volume of business."

With regard to the situation which has resulted from the Supreme Court's decision in 1944 that insurance is "interstate commerce," Mr. Tomlinson comments as follows: "As we told you in last year's report, through Public Law 15 the insurance industry was given a moratorium until Jan. 1, 1948 during which to adapt itself to the consequences of the Supreme Court decision declaring insurance to be interstate commerce. Insurance managements, agents' organizations, State legislators, and insurance commissioners have been working together in a conscientious effort to recommend a model rating bill for legislative action by the several States which will accomplish the desired results. While it is thought in some quarters that the proposed bills and other regulations are too rigid in the control of the insurance industry, our companies are supporting them."

W. Ross McCain, president of the Aetna Insurance Group sounded a word of warning with regard to the need for higher rates. He said: "The insurance industry is faced with a serious problem. Outstanding liability has increased enormously, in the case of the Aetna alone over a billion dollars. This liability must be run off. Rates have been steadily going down as a result of the formula requiring five preceding years' experience to determine rate increases or decreases. Five years ago a building cost not more than 50% of present-day values to rebuild. Are premiums large enough with these inflated values to run off the largely increased liabilities with a profit?

"Expenses are up materially, having increased in one year over four million dollars for the Aetna alone.

"What policy-holders and the public are primarily interested in is solvency in periods of stress and depression. Whether a company makes a profit which may be high in good years is not so important to the assured. He wants his company to be able to pay when the loss occurs and to pay promptly.

"The insurance companies need a rate increase and because of inflationary conditions the need is an emergency. They should have it now.

"The conditions are not reflected by averages over the years but by immediate emergency and inflationary conditions."

Toward the close of his message Mr. McCain introduced a more optimistic note into the following paragraph: "The insurance industry is sound. It has given a splendid account of itself for hundreds of years. No business has a cleaner and a finer record over its history. I believe that it will continue to do a good job in a high-grade honorable way and to fulfill the needs and demands it was organized to meet."

The necessity for higher rates is stressed in many of the reports to stockholders. Another example is found in Donald C. Bowersock's report to the stockholders of Boston Insurance Co. and Old Colony Insurance Company. After calling attention to a 53% increase in net premiums written, the message continues: "The loss experience of fire underwriters generally in 1946 was poor. This was the result of the great increase in the number of fires, sharp increase in cost of repairs, and the increase in general expenses. The National Board of Fire Underwriters' survey shows that fire losses in this country increased from $455,329,000 in 1945 to $561,487,000 in 1946. This loss trend necessitated careful selection of risks to make certain that in expanding our operations we assumed business in classes which were of a type that should prove profitable in the years to come. Whether or not loss frequency in 1947 will prove to be less than in 1946 is difficult to prophesy. However, it is apparent from the trend of losses over the recent years that the fire insurance business needs increased rates."

An interesting point is to be brought out in the report of Robert C. Ream, president of American Re-Insurance Company as follows: "On July 1, 1946, an amendment to the insurance law of New York permitting casualty companies to write fire reinsurance became effective. Consideration is being given to your Company's participation in this class of business but thus far no definite commitments have been entered into. The fire insurance industry has been passing through a cycle of unfavorable experience which has continued for a period of six to seven years. There are indications that this cycle is now drawing to a close. The subject is being given careful study by your Company's management."

The following paragraphs, taken from the report by Peter J. Berry, president of Security Insurance Company of New Haven, give a very good picture of general conditions which faced the industry in 1946, and of general prospects for the current year.

"The insurance companies in the country, with particular emphasis on those in the fire insurance industry, were literally swamped with an increased volume of business reflecting two conditions; namely, the high general business level and the increased values of all merchandise, buildings and their contents. This heavy increase of business was largely three and five-year term policies and, as a result, a substantial part of the premium income was not earned in 1946, but placed in the unearned premium reserve."

"It is difficult to prophesy how the fire and casualty insurance industry will fare during the present year. From the fire standpoint, the factors, such as overcrowding of dwellings, high cost of replacing damaged property, inadequate fire fighting equipment and trained personnel, plus inadequate rates in certain classes, all of which reacted unfavorably to the business last year, are still in evidence. If sufficient progress is made to remedy at least partially these conditions, it should have a favorable influence on the company's operation.

"The automobile business made a major contribution to the unsatisfactory underwriting result caused by old and worn out cars and the high cost of replacing damaged parts. There is evidence that the automobile manufacturers and labor will try to settle their differences without strikes and if this becomes a fact, greatly increased production will result which will mean the placing of new cars on the road replacing the old and worn out ones. This should have a beneficial effect upon your company."

Many other excerpts from the reports could be presented, but the general tenor would be similar; the selections given are fairly representative.

BANK and INSURANCE STOCKS

Laird, Bissell & Meeds
Members New York Stock Exchange
120 BROADWAY, NEW YORK 5, N. Y.
Telephone: BArclay 7-3500
Bell Teletype—NY 1-1248-49
(L. A. Gibbs, Manager Trading Dept.)

We offer
Comprehensive Dealer Service
BANK STOCKS
INSURANCE STOCKS
●
Primary Trading Markets—
Analytical and Sales Service

BUTLER-HUFF & CO.
OF CALIFORNIA
210 WEST SEVENTH STREET
LOS ANGELES 14, CALIFORNIA
TELEPHONE TRINITY 7871
TELETYPE: LA 279, LA 280
Direct and Connecting Wires to
BOSTON • NEW YORK • PHILADELPHIA • DETROIT
CHICAGO • ST. LOUIS
DALLAS • SAN FRANCISCO • SEATTLE

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Transfer of the Exchange membership of Milton R. Katzenberg to Philip H. Steckler, Jr. will be considered by the Exchange on March 20th.

Luke H. Rose & Co. will be dissolved as of March 15th.

Henry E. Butler, limited partner in Smith, Barney & Co., died on March 4th.

The Future of Agricultural Commodity Exchanges

In interview with the "Chronicle," Administrator J. M. Mehl of the Commodity Exchange Authority of Department of Agriculture, emphasizes objective of Exchange Act's enforcement will be to assure that cash and futures prices are open and competitive, irrespective of their highness or lowness. States strict enforcement will curtail excessive speculation and erratic prices to producers and consumers.

WASHINGTON, (Special to "Chronicle")—The next few months will provide crucial tests of the efficiency of major agricultural commodity exchanges, J. M. Mehl, Administrator of the Commodity Exchange Authority of the U. S. Department of Agriculture, informs the "Chronicle".

J. M. Mehl

The boards of trade and commodity exchanges operating under the Commodity Exchange Act, which Mr. Mehl's organization enforces, had a business of about $25,000,000,000 annually after World War I. Recently the markets have approached that level again.

"So far, trading in commodity markets has shifted from wartime pricing and rationing controls to competitive pricing conditions in a generally orderly manner—considering the unprecedented disruption of normal trade channels resulting from the war," Mr. Mehl said.

"With some exceptions American commodity exchanges are again registering supply-and-demand forces into a central price picture, freely arrived at, for all to see. Only in America have open markets and organized, competitive trading in agricultural commodities generally replaced governmental price-fixing, rationing—and resultant black markets.

"But we still have a long way to go to reach stable, peace-time pricing and marketing conditions.

"This spring, before 1947 crops are harvested, will be a time of food and fiber scarcity in most of the world. Now, as before the war, world conditions are reflected in American commodity markets, and have an important bearing on domestic agricultural prices.

"This fall when new supplies of world food crops are harvested and marketed will witness another period of transition and possible confusion in agricultural pricing conditions," Mr. Mehl predicted.

"Any attempt by American or foreign speculative interests to take advantage of these situations to produce artificially high or low prices in U. S. markets, through manipulative trading or false crop or market information, will be spot-lighted and dealt with to the fullest extent possible under the Comodity Exchange Act," Mr. Mehl added.

Although engaged mainly in special investigational and enforcement work during the war, Mr. Mehl stated that he had invoked the Commodity Exchange Act in 1945 "against a group of Chicago speculators charged with cornering the rye market."

On the basis of CEA investigations, the Secretary of Agriculture declared that excessive speculation in futures precipitated the boom-and-bust in cotton prices last fall. Proposed reductions in the limits on speculation by individual traders are now before the Commodity Exchange Commission.

Mr. Mehl also took the unprecedented step of publishing each month the aggregate market positions of all large traders in cotton futures. Now any newspaper reader can see whether the few score largest cotton traders in the country are predominantly "long" or "short" in the market, and what part of such trading is speculative, hedging or straddling.

In January this year the largest farmers' milk producers' association in the Northeast and four of its officers were fined a total of $29,000 for manipulating the price of spot butter on the New York Mercantile Exchange in violation of the Commodity Exchange Act.

"The objective of Commodity Exchange Act enforcement," Mehl stated, "is not to bring about 'high prices' or 'low prices' but to provide assurance that the prices registered in the cash and futures markets under the act are open and competitive prices, arrived at by a fair and free play of supply and demand forces.

"The purpose of central commodity markets is not to 'make' prices, but to register freely and openly the various buying and selling orders, and other supply-and-demand forces which do make prices.

"The course of postwar commodity prices is attended by a great many complicated economic factors. Some of these extend far beyond the immediate domestic supply and demand situation in basic agricultural commodities.

"Strict enforcement of the Commodity Exchange Act, supported by a constructive public interest, will help to prevent excessive speculation and resultant erratic prices to producers and to consumers.

"Now as before the war, vast quantities of grains, cotton and other commodities in commercial channels are being hedged in the futures markets against price changes—by growers' organizations, merchants, and processors.

"Proper functioning of the markets in registering prices fairly and accurately, and in providing an adequate hedging medium, should mean economies to producers and processors and an aid to the efficient marketing of farm products."

Hallowell, Sulzberger Opens Municipal Dept.

PHILADELPHIA, PA.—Hallowell, Sulzberger & Co., 111 South Broad Street, members of the New York and Philadelphia Stock Exchanges, announce the opening of a municipal bond department under the direction of Donald W. Darby. Mr. Darby was previously with C. C. Collings & Co.

Australia and New Zealand

BANK OF NEW SOUTH WALES
(ESTABLISHED 1817)

Paid-Up Capital	£8,780,000
Reserve Fund	6,150,000
Reserve Liability of Prop.	8,780,000
	£23,710,000

Aggregate Assets 30th Sept., 1945 £223,163,623

THOMAS BAKER HEFFER, General Manager
Head Office: George Street, SYDNEY
LONDON OFFICES:
29 Threadneedle Street, E. C. 2
47 Berkeley Square, W. 1
Agency arrangements with Banks throughout the U. S. A.

Management's Responsibility for Constructive Legislation

By R. ELMO THOMPSON*

Vice-President, First National Bank and Trust Co., Tulsa, Okla.

Banker warns of piece-meal threat to free enterprise arising from legislation, court decisions, and propaganda which leads Government into business and handicaps management. Urges management and engineering profession, as only makers of jobs, to take active part in reconstructing industrial legislation which will permit them to exercise their functions along democratic lines. Says laws cannot make jobs and management is being misled by new economic theories.

I recall that during the great depression there was no profession in which there were more unemployed and a larger number in distress than engineering. The number of enrollees in the engineering schools of our universities declined to such a low figure that many courses in specialized engineering were discontinued. Large numbers of intelligent young men abandoned this planned career in engineering and turned to law and business administration. Today it is interesting to observe there are 114,000 students enrolled in the engineering schools of this country; and that is a larger number than are studying engineering in all the other countries of the world combined. Still, I am confident there are no managers of business or members of your profession that believe this increased popularity in engineering is any indication of overcrowding your profession. I believe it is a recognition of the dependable importance of your profession in the economic future of our nation.

R. Elmo Thompson

Prior to 1933, economics was a study taught in colleges as an aid to a career in business. Since that year some knowledge of that subject has created a vast new profession known as economists. From that year until the present, our economy has been directed by lawyers who are very largely our law makers and economists—neither of whom are creators of wealth or payrolls. These two professions have been jointly endeavoring to create prosperity and security by regulating business through the legal control of human relations, such as wages, prices, hours of work, recreation and social security; but actually creating no greater productivity or any new things of value. The basis of the thousands of laws passed during this period by our lawyer law makers, inspired by

(Continued on page 1420)

*An address by Mr. Thompson at the Spring Meeting of the American Society of Mechanical Engineers, Tulsa, Okla., March 5, 1947.

Proposes Return to Gold Standard

Col. Edward J. W. Proffitt, at meeting of New York State Chamber of Commerce, offers a resolution advocating repeal of laws abolishing the gold standard passed under the Roosevelt regime. Says American dollar has been deteriorating and the erosion of last 15 years should be ended.

At a meeting of the Chamber of Commerce of New York State in New York City on March 6, in which monetary matters were discassed, Col. Edward J. W. Proffitt of the New York office of the Manufacturers and Traders Trust Co. of Buffalo, offered a resolution advocating erasing the monetary legislation of the Roosevelt Administration and restoring the country to the gold standard. Fred I. Kent, who is a member of the Chamber's Committee on Finance and Industry, stated that the matter was already under consideration by his Committee, but added: "Now is not the time to return to the gold standard." In presenting his resolution, Col. Proffitt said:

"The Resolution I am about to present, concerns a matter of national importance. An inquiry was introduced a month or so ago. At my request, it was referred to the same Committee which I am asking to consider this Resolution. That Committee comprises a number of outstanding leaders in banking and finance: our well-known member of the firm of Kuhn, Loeb & Co., who recently relinquished his rank of Commander in the Navy and has returned to Wall Street, after an outstanding record of service to our country; the Chairman of the Chemical Bank & Trust Co.; the President of the First National Bank; the Vice-President of the Bankers Trust Co., the former Superintendent of Banks and President of the Brooklyn Trust Co.; the senior Vice-President of the Manufacturers Trust Co., and the Chairman of CIT. That Committee graciously permitted me to appear before it. Also, I am told, it has sought information from the Treasury Department, Federal Reserve Bank, and other sources.

"My first effort in this matter was in the nature of an inquiry. However, today, with permission of our President and with the knowledge of the Chairman of that Committee, I am taking the liberty of offering a definite proposal, which I am hopeful will receive the careful attention of the Committee, and may result later in a presentation to the Chamber of recommendations for action upon this truly vital problem.

"The founders of our nation builded it well upon the strong structure of thrift and integrity. Perhaps we have wandered somewhat from the straight and narnow path during the past dozen years or so. However, I am confident you agree with me that neither our own people, nor the other peoples of the world, with whom we must deal more closely in the trying days ahead, long will have faith in a government who are lacking in those fundamental concepts.

"The American dollar, was a symbol of that faith in Government. Since 1932, I regret to state, it has been deteriorating, and, of course, depreciating in purchasing power. But our faith in our Government, and in that Dollar can and shall be restored—the safety of the investments of our banks, our insurance com-

(Continued on page 1409)

Edward Jones Is Now With Weil and Arnold

NEW ORLEANS, LA.—Weil & Arnold, Canal Building, announce that Edward Jones has become associated with their firm as Mississippi representative, with headquarters in Jackson. Mr Jones formerly conducted his own investment business in Jackson and prior thereto was with Scharff & Jones, Inc. and the Whitney Trust and Savings Bank of New Orleans.

W. Harman Brown, Jr. Now With Marx & Co.

W. Harman Brown, Jr. has become associated with Marx & Co., members of the New York Stock Exchange, in the firm's New York office, 37 Wall Street, as manager of the institutional and syndicate departments. Mr. Brown was formerly associated with Lewisohn & Co., and prior to that was Deputy Fiscal Agent for the Federal Land Banks and Federal Intermediate Credit Banks. He also was formerly syndicate manager for Brown, Harriman & Co., (now Harriman, Ripley & Co., Inc.).

Phila. Nat'l Bank Opens Bond Dept.

PHILADELPHIA, PA. — The Philadelphia National Bank announces the formation of a bond department to deal in State and Municipal securities.

NY Bank Comptrollers To Hold Meeting March 18

New York City Bank Comptrollers and Auditors Conference will hold their regular meeting on Mar. 18 at the Whyte's Restaurant, 145 Fulton Street, New York City. The speaker will be Dr. Robert V. Rosa, Economist, Research Department, Federal Reserve Bank of New York. The topic will be "War Time Banking Developments and the Aftermath."

Building Material Outlook Good

By TYLER STEWART ROGERS*

President, Producers Council

Head of building materials producers declares shortages are disappearing and that prices are not likely to rise. Denies prices have advanced to point of discouraging building and predicts, barring major work stoppages, a million new buildings will be started in 1947 and there should be a downward trend in all housing prices.

Shortages of essential building materials are disappearing so rapidly that 1947 may well become a record home building year with approximately one million houses under construction. Substantially all building materials are being produced at rates which equal or exceed former peak production records.

Tyler Stewart Rogers

There are some exceptions to this general statement, notably in cast iron pipe and hardwood flooring, but sufficient of these materials should be available to avoid the protracted delays experienced by most builders in 1946.

Nevertheless, to achieve these remarkable goals the manufacturing industry requires favorable conditions including:

(1) A steady supply of raw materials and component parts to provide continuous employment and full use of productive equipment.

(2) Freedom from work stoppages either in their own plants or in the plants of suppliers.

(3) Increased efficiency of factory workers which may be expected to result from improved materials supply, better job training and harmonious labor-management relations.

Some building materials producers will need additional plant facilities and record volumes of raw materials to keep pace with the high demand.

These qualifying conditions mean, in fact, that the supply of building materials is dependent upon good labor relations and continuous employment in many other contributing industries.

Assuming that these good producing conditions carry through the year, it is reasonable to anticipate lower costs in many materials and in most finished buildings.

Following the removal of price ceilings on building materials, the necessary adjustments have been made in the prices of those low margin or loss items which could not be produced in 1946 due to unsound price controls. On the whole the price increases in building materials have been surprisingly moderate. Compared to former black market prices often exceeding 100% of ceiling limitations, present costs show a drop in actual market-place values.

In many cases manufacturers have been forced to increase prices only because of unpredictable production costs. They have experienced interrupted supplies of component materials and parts and have thus faced abnormally high overhead expenses. The uncertainty of wage levels affecting both the prices paid for materials and the cost of fabrication has driven their cost accounting department into deepest confusion. On top of this the low productivity of workers, resulting from

(Continued on page 1419)

*An address by Mr. Rogers before the Mortgage Clinic sponsored by the Mortgage Bankers Association of America, March 1, 1947.

These shares do not represent new financing by the Company

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

125,000 Shares

ROTHMOOR CORPORATION

Common Stock

($.40 Par Value)

Price $9 per share

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

Lee Higginson Corporation — F. S. Moseley & Co.

The Illinois Company — Ames, Emerich & Co., Inc.

First Securities Company of Chicago — Loewi & Co. — Mason, Moran & Co.

Piper, Jaffray & Hopwood — Sills, Minton & Company Incorporated — Straus & Blosser

Scherck, Richter Company — Holley, Dayton & Gernon

Woodard-Elwood & Company

March 11, 1947

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Mutual Funds

By HENRY HUNT

Mutual Fund Sales Up 600% in Six Years

Despite the substantial increase in the sales of Mutual Fund shares during the past six years, the annual volume is still relatively small. However, there is reason to believe that the business, although no longer in its infancy, will experience substantial further growth.

The following tabulation, comparing annual sales of Mutual Fund shares with new corporate offerings, including stocks and bonds, reveals two facts about the Mutual Fund business:

1. It has shown more consistent growth in recent years than the field of new underwritings.
2. It is gaining added momentum in relation to the underwriting business.

	Sales of Mutual Funds	New Corporate Offerings* Stocks & Bonds	% of Mutual Fund Sales to Corp. Offerings
	—In Millions—		
1946	$370	$6,737	5.5%
1945	292	6,224	4.7%
1944	169	3,177	5.3%
1943	116	1,063	10.9%
1942	73	1,039	7.0%
1941	53	2,620	2.0%

*Standard & Poor's Index.

With approximately $1,300,000,000 in Mutual Fund shares now outstanding, it is interesting to note that their annual sales during the past six years have risen from 2% of new corporate offerings to 5½%, while on a dollar basis they have increased nearly 600%. It will also be noted that even in 1942, when corporate offerings fell off 60%, Mutual Fund sales showed an increase.

The above table is of significance inasmuch as new corporate offerings, excluding refunding operations, represent new capital raised through the sale of bonds, preferred and common stocks, while the sale of Mutual Fund shares represents the investment of capital in similar types of securities. Furthermore, to the extent that it withdraws securities from the market, the sale of Mutual Funds also represents new capital.

Currently, sales of Mutual Funds are running below the peak rate of early 1946. However, the decline in the sale of Mutual Funds is not nearly as sharp as that of new corporate offerings, particularly in the equity field.

In the early days of the Mutual Fund business, over-the-counter dealers, principally outside of the New York area, were responsible for a large majority of sales. While such dealers still probably account for more than half of new business, in recent years more and more member firms have recognized the adaptability of Mutual Fund shares to certain types of accounts, particularly those of medium to small size.

Another factor which undoubtedly helps to further the sales of Mutual Funds in a period of uncertainty and speculative apathy such as the present is the fact that salesmen of these shares receive a higher commission than they do on listed securities.

Last, but not least, the relatively good market performance of Mutual Funds during the 1946 decline in stock prices has proved to be an object lesson to investors who tried to pick individual stocks that would beat the market, only to discover that they did—on the down side!

Mutual Fund Notes

National Securities & Research Corporation in addressing a letter to dealers enclosed a reprint of an article called **"The Doctor Reviews His Portfolio,"** written by their Walter J. J. Smith which appeared in the Jan. 4 issue of the "Journal of the American Medical Association." They believe this article is a contribution toward a better understanding of mutual investment funds. Wonder is expressed by the author as to how a man who has spent years accumulating savings, will invest them "in various securities with no more study than he employs when purchasing a hat." Then the article goes on to tell of the advantages to doctors and others of a well managed diversified investment fund, especially one geared to individual needs.

* * *

The Keystone Investor, issued by the sponsors of **Keystone Custodian Funds,** shows how although the market is back to where it was 17 months ago corporate profits have been improving. Estimated per share earnings on stocks in the Dow-Jones Industrial Average group are shown as being in excess of those of last year and the year before last. Manufacturing plants need new machinery and railroad cars have worn out, as has the equipment of utilities, says the **Investor.** There are the needs of farmers to be satisfied, besides housing shortages, too, it is pointed out. For these reasons **the Keystone Investor** goes on to say that it is hard to visualize a severe depression in business when capital and consumer goods are in such great demand. In spite of present problems, which they allow, they observe there are many reasons to be optimistic over the business outlook.

RAILROAD BOND SHARES
OF GROUP SECURITIES, INC.

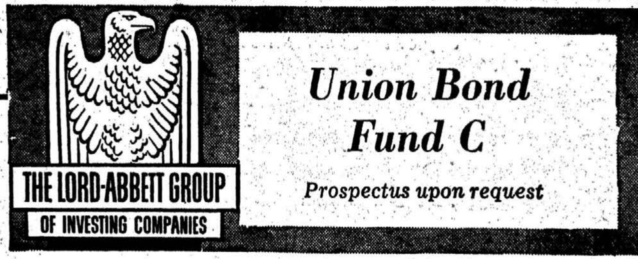
A PROSPECTUS ON REQUEST from your investment dealer or Distributors Group, Incorporated 63 Wall Street, New York 5, N. Y.

NATIONAL TRUST FUNDS
Prospectus upon request from your investment dealer, or from
NATIONAL SECURITIES & RESEARCH CORPORATION
120 BROADWAY, NEW YORK 5, N. Y.

Manhattan Bond Fund
INC.

Prospectus from your Investment Dealer or
HUGH W. LONG & CO.
INCORPORATED
48 WALL STREET, NEW YORK 5, N. Y.
LOS ANGELES CHICAGO

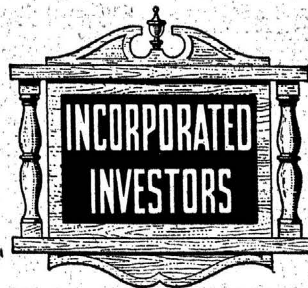
Keystone Custodian Funds
★
Prospectus may be obtained from your local investment dealer or
The Keystone Company of Boston
50 Congress Street, Boston 9, Mass.



Union Bond Fund C
Prospectus upon request

LORD, ABBETT & Co.
INCORPORATED
New York — Chicago — Los Angeles

SHARES OF CAPITAL STOCK OF



Prospectus may be obtained from your local investment dealer, or
THE PARKER CORPORATION
ONE COURT STREET, BOSTON 8, MASS.

Paul H. Davis Co. Offer Wrisley Co. Stock

Paul H. Davis & Co. headed a group which on March 7 made a public offering of 100,000 shares of common stock at $12 per share.

Proceeds from the financing will be partially used for company's present building and expansion program and for additional equipment. The remainder will be used for general corporate purposes.

With Timmons-Polk

(Special to THE FINANCIAL CHRONICLE)

ZANESVILLE, OHIO — William W. Harper has become associated with Timmons-Polk, Inc., First National Bank Building. Mr. Harper was formerly with the First National Bank of Zanesville.

Mayor O'Dwyer to Address Municipal Bond Club

Hon. William O'Dwyer, Mayor of the City of New York, will be guest speaker at a luncheon meeting of the Municipal Bond Club of New York to be held March 24 at 12:15 p. m. at the Hotel St. George in Brooklyn.

With Witherspoon Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Sydney C. Krams has become affiliated with Witherspoon & Company, Inc., 215 West Seventh Street. He was formerly with Hope & Co.

Thomas a Director

Joseph A. Thomas, a partner of Lehman Brothers, has been elected a director of the Laclede Gas Light Company, St. Louis, Missouri, by the board of directors, to fill a vacancy created by the death of Archibald Jackson, of New York.

Joseph A. Thomas

Mr. Thomas is also a director of American Export Lines, Inc., The Flintkote Company and National Airlines, Incorporated.

Partner in Jacobson & Co.

Robert J. Jacobson, member of the New York Stock Exchange, will become a partner in the Exchange firm of Benjamin Jacobson & Co., 61 Broadway, New York City, on March 17th. Mr. Jacobson was formerly a partner in Luke H. Rose & Co. and prior thereto was with Benjamin Jacobson & Co.

Fee With C. G. McDonald

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Edward H. Fee has become associated with C. G. McDonald & Company, Guardian Building, members of the Detroit Stock Exchange. He was formerly with Smith, Hague & Co.

Joins Fairman Co. Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange, have added Arthur A. Gleason to their staff.

With Marshall Adrian Co.

(Special to THE FINANCIAL CHRONICLE)

DENVER, COLO. — Albert F. Wood has been added to the staff of the Marshall Adrian Company, Colorado National Bank Building.

Taft Introduces New Housing Bill

Revised Taft-Ellender-Wagner measure follows lines of original bill, but Sen. Taft points out some significant changes.

On March 10 Senator Robert A. Taft of Ohio, with Senators Ellender and Wagner, introduced the new housing bill (S. 866). In the House of Representatives it is expected that a counterpart of this new bill will be introduced by Representative Jacob K. Javits of New York. The bill contains numerous changes from last session's bill, which was known as the W-E-T bill after its three authors, Senators Wagner, Ellender and Taft.

"The new bill, S. 866," Senator Taft explained to the "Chronicle," "is substantially the W-E-T bill, but with some definite changes. It sets up an overall housing authority, a National Housing Commission consisting of representatives of FHA, the Federal Home Loan Banks, the Federal Public Housing Authority, the Veterans Administration, the RFC, and the Secretary of the Treasury—and the President may add others. The national housing authority's job will be chiefly that of coordinating the several agencies concerned, giving them more authority than previously contemplated and cutting down the scope of research activities, in view of other research plans, such as those in the Department of Commerce.

"The present bill," Mr. Taft continued, "changes slightly the FHA provisions, in particular increasing the lowest interest rate to 4%—as contrasted to the other bill's provision for interest in some cases of only 3½%.

"S. 866 continues public housing at the same rate of 125,000 units a year for four years. We would consider, however, writing in a limitation on a percentage basis, namely that public housing should not exceed say 10% of total construction of residential construction during a preceding period like the preceding year, or the average of the three preceding years.

"Additional subsidies under the new bill would be $26,400,000 a year for the four years. This is an increase of 20% over the provision in the W-E-T bill, to take care of increases in costs.

"The new bill contains again the urban development plans, but very much simplified," Senator Taft observed.

S. 866, the Senator further observed, again contains the yield-insurance provisions, although the bill's authors had some doubt whether the provisions are in a practicable form to be used by insurance companies. "We hope insurance companies may suggest improvements to make it likely that they will avail themselves of the bill's terms.

"Also, the bill contains provisions for farm housing, which are in the nature of proposals for further studies by the Banking and Currency Committee, to which S. 866 has been referred."

Texas Group of Investment Bankers Ass'n To Hold 12th Annual Meeting in Mexico

The 1947 Annual Meeting of the Texas Group, Investment Bankers Association of America will be held in Monterrey, N. L., Mexico, from April 10 to April 12. The Casino de Monterrey, within a few blocks of all the leading hotels, will be convention headquarters. Attendance is by invitation only and is limited to the available hotel accommodations.

Tentative plans are for the program to open with a cocktail party in the lounge car of the special train at 6 p.m., April 9. Business meetings will be held in the mornings of April 10 and 11 only. Afternoons will be free for pleasure trips and sightseeing trips to points of interest and golf. Transportation will be available for optional trips to scenic Horse Tail Falls and Villa de Santiago, a quaint Mexican village, Huasteca Canyon and Chipinque Mesa.

Mr. Ramon Beteta, Minister of Finance of the Republic of Mexico, has been invited to be the principal speaker at the luncheon April 10. A special cocktail party and luncheon is being arranged for the ladies on the 10th in the patio of one of the hotels. A cocktail party and dinner-dance is scheduled at the Casino de Monterrey for Thursday evening, the 10th, with outstanding Mexico City radio and stage stars as entertainers.

Members have been invited by the Cuauhtemoc Brewery to be their guests on Friday, April 11, for a typical Mexican luncheon which will be held in their gardens. This Brewery is one of the best known in the world and is the maker of the famous Carta Blanca and Bohemia Beer.

Saturday, April 12, will be available for a trip to Saltillo, 65 miles from Monterrey, golf at the Monterrey Country Club and other entertainment.

Due to limited accommodations no out-of-industry guests are eligible to attend, and out-of-state guests will be limited to the reservations available. Therefore, it is necessary that application blanks be sent in immediately so that the approximate number of invitations that may be issued to out-of-state guests may be determined. These invitations are to be channelled through the Entertainment Committee.

A fee of $35 will be charged for each convention registrant, and a fee of $15 will be charged for each registrant's wife.

One-hundred forty-seven rooms have been reserved at the following hotels: Gran Hotel Ancira, Hotel Monterrey, Hotel Colonial, Bermuda Hotel, Hotel Internacional, and El Paso Autel.

The following auto courts, which provide excellent accommodations, will be available for any overflow, and are within 20 blocks of the downtown area: California Courts, and Regina Courts.

Members driving through in their automobiles will be asked to accept reservations at the above courts.

Due to the shortage of accommodations no room will be assigned for single occupancy, and all reservations for rooms will necessarily be assigned before departure. There will be no parlors available. Members requesting single rooms will necessarily be assigned a double room and a roommate. It is important, therefore, that members make every effort to arrange for their own roommates. All of the above reservations were obtained with the distinct understanding that they be vacated by 3:00 p.m., Saturday, April 12th because of their usual heavy week-end business.

A special train will be operated from San Antonio to Monterrey and return. The train schedule is as follows:

Going

April 9th—Leave San Antonio -- 6:30 p.m.
Arrive Laredo ------10:30 p.m. (Customs Inspection)
Leave Nuevo Laredo 12:00 p.m.
April 10—Arrive Monterrey ---- 7:00 a.m.

Returning

April 12—Leave Monterrey ----- 6:00 p.m.
Arrive Nuevo Laredo 10:00 p.m. (Customs Inspection)
Leave Laredo ------12:00 p.m.
April 13th—Arrive San Antonio-- 7:00 a.m.

Round trip railroad and pullman fares are listed below:

Lower berth	(for one)	$31.11
Section	(for two)	59.68
Compartment	(for two)	71.52
Drawing Room	(for two)	84.23

The above schedule is arranged so that members and guests arriving from St. Louis by Sunshine Special (Missouri Pacific), from Dallas by Texas Special (Missouri-Kansas-Texas), and from Houston by Southern Pacific, may make connections. On the return trip the train will arrive in San Antonio in time for the departure of the 8:45 Sunshine Special for the North, the 8:45 Texas Special for Dallas, and the 3:30 departure of the Southern Pacific for Houston.

The Missouri Pacific will make available a special car from St. Louis to be joined to the special train in San Antonio for out-of-state guests if sufficient applications are received promptly.

It is necessary to have tourist permits issued by the Mexican Consulate to make this trip. There is a fee of $2.10 for each tourist permit issued.

Since a large attendance is expected, and since it is necessary to guarantee a minimum number for the special train, it is requested that completed registration form, tourist permit form, and requested train accommodations together with check made payable to the TEXAS GROUP, IBA be forwarded as soon as possible so that all necessary details can be completed. All invitations, hotel and train reservations will be handled by your Entertainment Committee.

Entertainment Committee: Creston H. Funk, Chairman, Funk & White, San Antonio; H. H. Dewar, Dewar, Robertson & Pancoast, San Antonio; Elmer A. Dittmar, Dittmar & Company, San Antonio; Judson S. James, Jr., James & Stayart, Inc., Dallas; J. Marvin Moreland, Rotan, Mosle & Moreland, Houston & Galveston; Edward D. Muir, Russ & Company, San Antonio; B. F. Pitman, Jr., Pitman & Company, San Antonio.

All requests for reservations should be addressed to CRESTON H. FUNK, Funk & White, 907 Frost, National Bank Building, San Antonio 5, Texas.

J. P. Morgan Left $16 Million Gross, $4½ Million Net

Large security holdings shown in estate tax appraisal proceedings.

The appraisal for New York Estate Tax purposes of the estate of the late J. P. Morgan is to be filed shortly. The tax proceedings will show that Mr. Morgan left a net estate, after deducting taxes, debts, and expenses, of $4,642,791.

The amount of the Federal Estate Tax was $7,384,309 and the New York Estate Tax was $2,064,-414 and the debts and expenses were $1,929,968. The gross estate before these deductions, as shown by the return, was $16,021,482.

The above figures are exclusive of property valued at about $1,-100,000 owned by Mr. Morgan in England consisting primarily of his estate "Wall Hall," which was acquired by the public authorities of Hertfordshire County. The British death duties on all British assets aggregated the sterling equivalent of about $515,000.

The information filed with the tax appraisal will show that during his lifetime Mr. Morgan gave away to charitable and public institutions $35,655,000, as follows:

The Pierpont Morgan Library, $14,750,000.

Metropolitan Museum of Art, $9,000,000.

New York Hospital (formerly Lying-In Hospital), $4,000,000.

Morgan Memorial Park, Glen Cove, L. I., $1,650,000.

Wadsworth Atheneum, Hartford, Conn., $1,000,000.

Harvard College, $540,000.

American Museum of Natural History, $450,000.

American Academy of Rome, $375,000.

Trinity College, Hartford Conn., $190,000.

To many other similar institutions, $3,700,000.

The foregoing figures do not include his gift of the yacht "Corsair" to the United States Government in 1929, nor the sale for a nominal consideration of the successor yacht bearing the same name to the British Government for war service in 1940. Nor do they include charitable bequest in Mr. Morgan's will of $439,939.

Included in the taxable Estate was Mr. Morgan's interest as remainderman of a trust created by his father for the benefit of Mr. Morgan's sister, Miss Anne Morgan. His interest is valued in the tax appraisal at $3,255,880. Also included is a trust of approximately $1,100,0000 established by Mr. Morgan during his lifetime for the benefit of various superannuated employees and others.

Among other properties included were tangible personal property valued at $2,566,893, most of which consisted of paintings, silverware and other objects of art.

Security holdings valued at $6,-436,757.11 included 18,750 shares of J. P. Morgan & Co. Incorporated capital stock valued at $3,-656,250. Mr. Morgan also owned 177 shares of First National Bank of New York stock valued at $241,605 and 285 shares of Guaranty Trust Company stock valued at $81,225. Other large security holdings consisted of:

73,514 shares Dwight Manufacturing Co., $1,121,088.50.

3,840 shares Aetna Insurance Co., $210,000.00.

1,000 shares American Telphone & Telegraph Co., $141,125.00.

17,500 City & Suburban Homes Co., $111,562.50.

26,845 shares Raytheon Manufacturing Co., $171,136.88.

1,441 shares United States Steel Corp., $77,994.12.

The return also shows that Mr. Morgan's town house at Madison Avenue and 37th Street was sold for $234,000 and his country place at Matinicock Point, Glen Cove, for $113,000.

Shakespeare and Strasburger Formed

Shakespeare & Strasburger, Inc., has been formed with offices at 1 Wall Street, New York City, to conduct a securities business. Officers are Frank J. Shakespeare, President; Leroy A. Strasburger, Treasurer, and Thomas J. Moehringer, Secretary. All were formerly associated with Leroy A. Strasburger & Co.

SECURITIES ARE *Perishable!*

A good stock last year may be only a mediocre investment today. And vice versa. Change is the common denominator of all markets. That's why eternal vigilance is the price of investment success. It's why we maintain a large Research Department with a full staff of trained analysts who weigh the comparative values of all kinds of security investments—listed and unlisted, big and little. Why not let us help you keep abreast of the changing opportunities?

Address Department "T-92"

MERRILL LYNCH, PIERCE, FENNER & BEANE

Underwriters and Distributors of Investment Securities
Brokers in Securities and Commodities

70 PINE STREET NEW YORK 5, N. Y.

Uptown Office: 730 FIFTH AVENUE

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

100,000 Shares

Universal Winding Company

90¢ Convertible Preferred Stock

($15 Par Value)

Price $16.50 Per Share

(Plus dividends accrued from March 1, 1947 to date of delivery)

Copies of the Prospectus may be obtained from the undersigned.

Reynolds & Co.

G. H. Walker & Co. **Harris, Hall & Company** (Incorporated)

March 7, 1947

gitized for FRASER
http://fraser.stlouisfed.org/

Railroad Securities

Although Illinois Central's efforts last year to simplify its debt structure and lessen the burden of maturities in the early 1950s through a bond exchange offer failed, the management continued its program of debt retirement. There was a reduction in debt, including the leased line stock certificates, of just under $15,000,000 bringing the total outstanding with the public to less than $242,000,000 by the 1946 year-end. The reduction represented the payment of some $5,131,000 of maturing equipment trust obligations, and the purchase and retirement of roundly $9,300,000 of mortgage bonds and $830,000 of leased line certificates.

About half of the mortgage bond purchases and retirements were in the 1950-1952 maturity group, reducing the amount outstanding to $50,319,000. These were the bonds to which an exchange offer had been made around the middle of the year. The balance of the mortgage bond retirements was in the 1953-1955 maturity group, the largest item being $3,466,000 of the Refunding 4s, 1955. Outstanding bonds maturing in the years 1953-1956, inclusive, were reduced to $65,025,000. Last year's debt program brought to a total of more than $97,000,000 the reduction in non-equipment debt since the beginning of 1941.

While the management has done a highly commendable debt job in the last six years it has by no means been finished as yet. Non-equipment debt, including the leased line certificates which are exchangeable into bonds, amounted to $238,130,000 at the end of 1946. Of this, $115,319,000, or almost 50%, falls due in the years 1950-1955, inclusive. Unfortunately, the road's earliest maturities are not subject to call prior to the due dates. It is to be expected, then, that the management will continue with its policy of open market purchases until such time as some new plan looking towards solution of the problem can be worked out. The company has ample funds with which to continue these retirements. Net working capital at the end of last year amounted to $41,667,000.

There are many railroad analysts who believe that the vast improvement in Illinois Central's debt status and the sharp reduction in fixed charges have not found adequate reflection in the road's common stock. Granting that the debt problems that still remain militate against the likelihood of resumption of dividends at this time there can be little question but that the use to which the cash earnings are being put has very favorable long-term implications to the equity holders. The reduction in non-equipment debt since the beginning of 1941 is equivalent to more than $70 a share on the common stock outstanding. Moreover, fixed charges are now indicated down to around $11,000,000, compared with $17,000,000 a decade ago.

Earnings on the common stock last year amounted to $4.67 a share and the road was not one of those that realized profits through the expedient of tax credits. As a matter of fact, whlie net income after taxes amounted to $7,463,000 the Federal income tax debit was over $7,000,000. In the opening month of the current year the company reported a rise of almost 20% in gross revenues. Expenses were naturally considerably heavier than they were a year ago as the 1946 report made no provision for wage increases which were later made retroactive to the beginning of the year. Even with this distortion net income for the month was more than double the net for January, 1946.

Both from a near-term standpoint and on a long-term basis the traffic outlook for Illinois Central appears favorable. There has been considerable industrial growth in parts of the service area and this trend has continued since the end of the war. Farm conditions in the territory have improved materially over a period of years reflecting educational programs sponsored by the road itself. There is every indication of a high level of trade through the Gulf ports. All in all, it seems reasonable to look for earnings around $7 to $9 this year and over the visible future. It is the opinion of many analysts that such potential earnings should justify materially higher prices for the company's stock.

Chicago Railways
Cons. "A" 5s, 1927

Bullocks, Inc.

Walt Disney
Productions
Common

R. Hoe & Co., Inc.
Old Class "A"
New Class "B"

Plomb Tool

ERNST & Co.
MEMBERS
New York Stock Exchange and other leading Security and Commodity Exchs.
120 Broadway, New York 5, N. Y.
231 So. LaSalle St., Chicago 4, Ill.

Armstrong Rubber Co.
American Optical Co.
Talon, Inc.
Missouri Pacific RR. 5¼s
H. H. Robertson Co.

VAN TUYL & ABBE
72 WALL STREET
NEW YORK 5
Telephone HA 2-6622 Teletype NY 1-1499

DL&W—Lackawanna RR N J
1st Mtg "A" 4s 1993
First Mortgage Bond on Main Line Properties of Strategic Nature
Priced to yield better than 6¼%
Analysis on Request

B. W. Pizzini & Co.
INCORPORATED
GUARANTEED RAILROAD STOCKS-BONDS
25 Broad Street New York 4, N. Y.
Telephone BOwling Green 9-6400
Teletype NY 1-1063

Now With Alfred O'Gara

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Charles H. Fox has become affiliated with Alfred O'Gara & Co., 134 South La Salle Street, members of the Chicago Board of Trade. Mr. Fox in the past was with the Commonwealth Investment Corporation.

Franklin T. McClintock Harriman Ripley Dir.

Franklin T. McClintock, Vice-President of Harriman Ripley & Co., Inc., has been elected to the company's Board of Directors, Joseph P. Ripley, Chairman, announced.

F. T. McClintock

Mr. McClintock, a native of Spokane, Washington, engaged in graduate work at Columbia and Harvard Universities for two years after graduating from Princeton University. He entered the investment banking field with Brown Brothers & Co. in 1928 and continued with that organization until 1934 when he joined Harriman Ripley & Co., Inc. where his activities have been centered principally in the buying department. He was named Vice-President of Harriman Ripley in 1943.

Dillon, Read Offers Southwestern Preferred

A group of underwriters headed by Dillon, Read & Co. Inc. on February 26 offered to the public a new issue of 20,000 shares of 3.90% preferred stock, of Southwestern Public Service Co. at $102 per share and accrued dividends. The new preferred stock is redeemable at $105 per share on or before January 31, 1957, and thereafter at $103.50 per share, in each case with accrued dividends.

Southwestern Public Service Co. has forwarded to holders of its common stock of record February 25, 1947, warrants to subscribe for 64,438 additional shares of common stock, or at the rate of one new share for each 10 shares held. The subscription price is $34.50 per share. The rights expire March 7, 1947.

Proceeds of preferred and common stock financing, together with proceeds from the recent sale of $3,500,000 of 2⅞% first mortgage bonds to institutional investors, are to be used to provide funds for additions and improvements to the company's properties.

Cruttenden Expands Pacific Coast Offices

Cruttenden & Co., members of the New York and Chicago Stock Exchanges, announces the opening of branch offices at 854 Main Street, Santa Paula, Calif., and at 441 North Camden Drive, Beverly Hills, Calif.

The Santa Paula office will be under the management of Walter A. Anderson. Associated with him will be Tim McLaughlin, Eduard S. Walden and Donald C. Truesdell. All were previously connected with First California Co.

The Beverly Hillso office be directed by Gordon Buckhout who was previously with Livingstone & Co.

R. L. Emacio & Co.

SPOKANE, WASH.—R. L. Emacio & Co., Inc., has been formed with offices in the Radio Central Building to engage in the securities business. Officers are Robert L. Emacio, President; Martha Maguire, Vice-President, and Pauline G. Emacio, Secretary-Treasurer. Mr. Emacio was formerly with D. J. MacGillivray Co.

More on an Official Witch Hunt

(Continued from page 1375)

General is pursuing, is an unwarranted and indefensible inquisition and a calumny against the securities industry.

Since the publication of the editorial to which we refer, letters on the subject of this questionnaire have been exchanged between Francis Kernan, Chairman of District No. 13 Committee, National Association of Securities Dealers, and Nathaniel L. Goldstein, Attorney General for the State of New York.

In our issue of March 6, 1947, these letters were published in full.

Mr. Goldstein's letter is an attempt to bolster his position and justify the use of the "general questionnaire."

After going over the letter carefully, we are completely convinced that the Attorney General is wrong and that his communication does not support his thesis.

Let us analyze some parts of that letter.

We quote: "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 and Exchange Commission. I am charged with a similar responsibility and you can readily understand my need to be familiar with the same facts."

Where in the Martin Act, upon which Mr. Goldstein relies, is there any authority to conduct routine investigations in the absence of any existing complaint or in the absence of any reason to believe that fraud has been or will be committed?

We challenge the statement that Mr. Goldstein already has in connection with New York City dealers, the information which he seeks upstate. Where, how, and from whom did he get it?

One look at the comprehensive questionnaire brands this argument as being untrue, to be charitable.

Question 3, for example, asks for a description of the recipient's business. The question is in 4 subdivisions. If we are correct in our contention, the proper answer to that question would be "None of your business."

Question 4 goes into the subject of margin trading, loans against security, and clearances.

Question 6 is a honey—tricky, to say the least. It takes 6 subdivisions in order to put that one across and because we think the implications are somewhat obvious, we repeat that question here:

"6. Do you furnish financial advice to your clients?
(a) Is this furnished at the request of the client?
(b) Is it offered by you of your own volition?
(c) Is it in written form or is it oral?
(d) What statistical staff do you employ? What services do you subscribe to?
(e) How are you compensated for this service?

What is the New York State Attorney General attempting to do? Is he trying to enforce the Federal Investment Advisors' Act? Will he please point out where, in the New York State Martin Act, he has the authority to ask this type of question? Whom does he think he is fooling? Who is really behind this questionnaire?

Is the statement that the Attorney General of the State of New York is charged with a similar responsibility as that which characterizes the Securities and Exchange Commission and the National Association of Securities Dealers a forthright and true statement?

If by that statement the Attorney General means to assert that the New York State Martin Act and the Federal Securities Acts of 1933 and 1934, in effect, give to the Attorney General of the State of New York and the SEC and the NASD the same functions or functions that are reasonably comparable, he, the Attorney General, in our opinion, doesn't know what he is talking about.

In the first place, the Securities and Exchange Act sets up a comprehensive plan of securities regulation which it directs may be in part accomplished through the promulgation of rules by the Securities and Exchange Commission.

The Attorney General of the State of New York does not have the power to make any such rules nor is he vested with the authority that resides in the Securities and Exchange Commission as an administrative body.

The provisions of the Martin Act are quite limited, limited to circumstances wherein either a fraud has been committed, or the Attorney General has reason to believe that it will be committed and is, therefore, in contemplation.

The comprehensive scheme of regulation contemplated

by the Federal Securities Laws is in nowise embodied in the New York State Martin Act and despite the fact that such great powers of regulation exist in the Securities and Exchange Commission and, therefore, that such marked responsibility rests upon it, this Commission has never had the temerity to broadcast generally a questionnaire as comprehensive in scope as is the general questionnaire of the New York State Attorney General.

Those engaged in the securities industry at large would stand for no such nonsense, we are convinced.

We wonder whether the upstate dealers were tackled by the Attorney General's office in the belief that they are not united in an organization and that, therefore, he might get by default what otherwise would be hotly contested.

As to the powers, duties and privileges characterizing the activities of the NASD, an Amendment to the Securities Act of 1934 accomplished this. That Amendment is known as The Maloney Act and is Section 15A

It provides for the creation of a national securities association or associations and defines their rights, powers, duties, privileges and obligations. The NASD was formed pursuant thereto.

The NASD may amend its existing rules and make new rules after submitting the same to a vote of its membership.

Both the SEC and the NASD regard the latter as a voluntary organization and contend that upon application for membership in the NASD the prospective member, by signing the application blank has bound himself to abide by the Constitution, By-laws, Rules and Regulations and the Rules of Fair Practice established by the NASD.

Therefore, when the NASD issues any questionnaire, the contention is that it does so pursuant to its By-laws and Rules of Fair Practice, its Regulations and Constitution or Charter, and upon consent of the membership.

If that be true, so long as the activity is not illegal, the members may consent, if they so wish, to stand on their heads. That's their prerogative.

Where, in the Martin Act, does the New York Attorney General find any comparable or similar provisions or authority?

How, in view of this picture as it exists, can the Attorney General factually represent that he has "similar responsibility" to that of the Securities and Exchange Commission and of the National Association of Securities Dealers?

Despite the extensive powers of the NASD, it has never submitted to its membership a general questionnaire so extensive in scope as the one circulated by the New York State Attorney General.

Mr. Goldstein contends that this type of questionnaire is well established and was used during the regime of the Hon. Albert Ottinger in connection with a survey of investment trusts and, also, in a survey subsequently continued by the Hon. John J. Bennett.

We first call attention to the fact that in those surveys there was a definite matter under investigation, to wit, invesment trusts. What is Mr. Goldstein investigating now? He hasn't told us as yet. Secondly, we point out that the mere fact that questionnaires were used before, does not constitute either primary precedent or persuasive precedent. Where is the Court's decision that says this can be done on the scale and under the circumstances that Mr. Goldstein is doing it?

Where is the Court's decision that says a fishing expedition may be conducted by the Attorney General addressed to a particular segment of the securities industry, in the absence of any existing complaint against those who are so addressed, and in the absence of any reason to believe that frauds have been committed or are about to be committed.

We quote again from Mr. Goldstein's letter: "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."

Now, that's all very interesting and we do not wish to disturb Mr. Goldstein in the comfort that he may find in his beliefs.

However, where in the Martin Act does he find authority to probe these beliefs?

In the absence of the legislative mandate, it seems to us to be the height of brazenness for the Attorney General to compel dealers and brokers to file an earnings statement and a list of their customers. That is gall!

If other states were to adopt the same high-handed methods, where would that land the securities industry, already badly hamstrung?

We have watched closely the burden of over-regulation which has been placed upon dealers in securities, but during all our vigilance no such alarming shenanigans have come to our attention as those now indulged in by the Attorney General of the State of New York.

Plainly, he needs immediate curbing.

Today's problem of the upstate dealers in the State of New York may tomorrow become the problem of the entire State, and if not nipped in the bud, in course of time, become the problem of the securities field in every State in the Union.

Against this invasion of the freedom of doing business, against this usurpation of power without warrant in law, against this treatment of those in the securities field as if they were a crew of knaves and thieves, immediate steps of intervention should be taken.

We can understand such practices in a totalitarian government. In a democracy, however, based upon a constitutional form of government, these have absolutely no place.

WE AGAIN POINT OUT TO THE ATTORNEY GENERAL OF THE STATE OF NEW YORK THE WISDOM OF WITHDRAWING THIS QUESTIONNAIRE.

Blair & Co. Adds Meyer to Staff

Blair & Co., Inc., 44 Wall Street, New York City, announces that Philip R. Meyer has become associated with the firm in the trading department. He was formerly trading manager for L. Stone & Co.

Joins Curb 25-Year Club

Raymond C. Bailey has completed 25 years of service on the staff of the New York Curb Exchange and has become a member of the Quarter Century Club of the Exchange, Charles E. McGowan, Secretary of the Exchange and President of the club, announced. Mr. Bailey is in the Curb securities department.

This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

100,000 Shares

Allen B. Wrisley Company

(an Illinois Corporation)

Common Stock

(Par Value, $1 per Share)

Price $12 per Share

Copies of the Prospectus may be obtained only from such of the undersigned as are registered dealers in securities in this State.

Paul H. Davis & Co.

Bacon, Whipple & Co. Kebbon, McCormick & Co.

March 7, 1947

This advertisement is not, and is under no circumstances to be construed as, an offering of the following securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

Moore-Handley Hardware Company, Inc.

$1,600,000

5% Cumulative Preferred Stock

(Par Value $100 per Share)

Price $100 per Share

85,000 Shares

Common Stock

(Par Value $1 per Share)

Price $7.50 per Share

Copies of the Prospectus may be obtained in any state in which this announcement is circulated only from such of the several Underwriters as are registered dealers in such state.

Equitable Securities Corporation

Paul H. Davis & Co. Johnston, Lemon & Co.

March 12, 1947

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Securities Salesman's Corner

By JOHN DUTTON

There are times when it is not only advisable to mix pleasure with business but often you cannot avoid certain obligations. If you handle such opportunities with care they can be very beneficial in creating good will but if you overplay the social end of it you may do yourself more harm than good.

There is a difference between the salesman of securities and almost any other commodity or service. People must have confidence in you before they invest. If there is any indication that you are the type that is a playboy or an over-spender it may be that your prospective customer, or your client, will have doubts about your ability to advise them concerning their investments.

When it comes to entertaining women clients special care must be taken to stick to business. It is sometimes advisable to invite your wife providing she is a good mixer. Many a man has discovered that his wife can be a very great asset in creating good will and confidence, especially among women clients. Sometimes when you spend some money on a new wardrobe for the Mrs. you may discover that it pays dividends. (If she reads the "Chronicle" better cut this item out unless you've had an extra good month's business.)

I've discovered that my lunches actually cost me nothing since I have made a practice of taking out customers once or twice a week. So many salesmen go to lunch with other salesmen in their office. Lunch time is valuable business time if you use it.

As far as gifts are concerned (The SEC doesn't agree with this viewpoint I am sure) we believe in them. But if you do send something to a customer always have a reason. If someone invites you to dinner send them something that the wife will like. Mrs. Customer when she is on your side, is your best advertisement. Christmas gifts are also in order. Some salesmen don't believe in them and they are entitled to their opinion. We've tried both giving and abstaining at this season of the year and have found that people do appreciate your thoughtfulness. But never give as a sort of payment. You should never pay for business.

If someone has done you a favor let them know about it with a gift. One of my customers once did me a good turn that resulted in my making a tidy profit out of a certain stock. He had information that was valuable and he was thoughtful enough to telephone to me and give it to me. Several months later I called him and asked him if he would take lunch with me. When he assented I met him in his office. On the way to the restaurant I asked him if he knew a good place to buy a hat and suggested that I needed a new one as the one I was wearing was rather shabby. He took me to his store and as the salesman came up I asked him to show me the best hat in the store. When he asked my size I said it was for my friend not for me. That $25 which I spent for his hat was well spent—besides he was certainly entitled to it considering the valuable information he gave to me. IF YOU GIVE IT IS ALWAYS ACCEPTABLE AND PROPER PROVIDING THERE IS A REASON FOR IT. The best asset any salesman can have is his ability to create good will. Tact and good judgment indicate the time and the place—money invested in good-will building is your best form of advertising. Do it right and it will come back to you multiplied many times over.

M. A. Manley & Co. In New & Larger Quarters

DETROIT, MICH.—M. A. Manley & Company, investment brokers, are now occupying new and larger quarters at 648 Buhl Building, according to announcement of Milton A. Manley, senior officer of the firm. A substantial increase in office space was necessitated by additions to the staff in the past year of GI's in training and a general expansion of organizational activities and customer service.

Frank W. Bennett & Co. Being Formed in NYC

Frank W. Bennett & Co., Inc., is being formed with offices at 30 Broad Street, New York City, to engage in the securities business. Officers are Frank W. Bennett, President; Edward G. Ringrose, Vice-President and Treasurer; John N. Schlemmer, Secretary; France E. Dreyer, Assistant Secretary. All were previously with The Federal Corporation.

*Airline Foods Corporation—Common

*Denman Tire & Rubber Co.—Common

*Prospectus on request

HERRICK, WADDELL & CO., INC.

55 LIBERTY STREET, NEW YORK 5, N. Y.

American Fruit Growers Inc., Com.
Arden Farms Co., Pfd. & Com.
Fullerton Oil Co., Com.

Wagenseller & Durst, Inc.

Members Los Angeles Stock Exchange
626 SO. SPRING ST. TRINITY 5761
LOS ANGELES 14
Teletype: LA 68

Market Quotations and Information on all California Securities

Bovenizer 50 Years At Kuhn, Loeb & Co.

George W. Bovenizer on Mar. 7 celebrated 50 years' association with the investment banking firm of Kuhn, Loeb & Co. Mr. Bovenizer started in 1897 as an office boy. He worked in various departments covering all phases of the firm's business and in 1911 became Manager of the Syndicate Department. In 1929 he was admitted to the firm as a partner.

George W. Bovenizer

He is a director of the Western Union Telegraph Company, Pennroad Corporation and Seaboard Surety Company. He was President of the Investment Bankers Association of America in 1935.

Mr. Bovenizer is Chairman of the Finance Committee of the Ministers and Missionary Board of the Northern Baptist Convention; Campaign Chairman of the Protestant Fund of Greater New York, Inc.; Chairman of the Finance Committee of the Baptist Church Extension Society, and a director of the Caledonian Hospital, Brooklyn.

His clubs are the Union League, Bankers, Bond, Recess, Downtown Athletic, Sleepy Hollow Country Club and Scarsdale Country Club.

MacKenzie to Address Brooklyn Unit (NACA)

Atlantic Refining Co. official will discuss job evaluations and wage incentives.

The Brooklyn Chapter of the National Association of Cost Accountants will conduct another in its series of technical sessions scheduled for the 1946-1947 season.

The meeting which will be preceded by a dinner will be held at the Park-Vanderbilt Restaurant in Brooklyn on Wednesday, Mar. 19, 1947 at 8 p.m.

The principal speaker will be Mr. Richard S. MacKenzie, Chief Industrial Engineer for the Atlantic Refining Company, who will discuss the question, "Are Job Evaluations and Wage Incentives Profitable?"

Mr. MacKenzie is a graduate of the University of Pennsylvania, a member of the American Management Association and the American Academy of Political and Social Science. He is Chairman of the Production Managers Committee of the Philadelphia Chamber of Commerce and Board of Trade and Chairman of the Second Annual National Time Study and Methods Conference of the Society for the Advancement of Management.

Since 1931, Mr. MacKenzie has been Chief Industrial Engineer for the Atlantic Refining Company where, in addition to a broad experience in the areas of shop work, packaging, warehousing, transportation, construction and service functions, he has had an unusual opportunity to pioneer in the application of industrial and management engineering techniques.

Greene & Stockly in NY

Phillipse E. Greene and George J. Stockly will form Greene & Stockly with offices at 120 Broadway, New York City, effective March 20. Mr. Stockly will acquire the New York Stock Exchange membership of William W. Goldsborough, Jr., as of that date. Mr. Greene was in the past a partner in Bliss & Co.

Dresser Industries Expects to Benefit From Natural Gas Crisis

Net earnings for first quarter $728,581 against loss of $516,574 in corresponding period year ago.

Dresser Industries, Inc., showed net earnings after taxes for the three months ended Jan. 31, 1947, of $728,581, as compared to a net loss of $516,574 for the first quarter of the company's previous year, and net earnings of $1,037,235 for its entire fiscal year ended Oct. 31, 1946, according to the company's Quarterly Letter to Shareholders just made public.

Sales for the first quarter of the current fiscal year totaled $16,669,845, continuing the accelerated rate established at the end of the previous year, according to the report. Total sales for 1946 were $54,783,188, equivalent to a quarterly average of $13,695,797. Meanwhile backlog has remained steady at approximately $67,000,000.

Discussing the recent gas crisis, H. N. Mallon, President of Dresser, states in report:

"We have long been aware of the fact that the existing transportation and distribution facilities of natural gas would be unable to carry the postwar load that would be imposed upon them by public preference and demand. That is one of the reasons why we have called attention to our propane and butane plants, to serve as stand-by facilities for municipal gas plants. That is why we have placed so much emphasis upon Dresser equipment designed to speed the transportation of gas from well to consuming districts.

"The current gas crisis has served to bring this whole situation out into the open, and make apparent the need for taking drastic steps to improve and increase the nation's gas supply and provide greater facilities for getting gas to the markets that are clamoring for it. The long-term effect of the present gas shortage will, therefore, in our opinion, be that of speeding up expansion and rehabilitation programs in this field which might otherwise have been delayed. The recent purchase from the Government of the Big Inch pipe line for the transportation of natural gas is a pertinent example. It appears that the demand for our gas appliances and compressor station equipment is destined to be heavy for some time to come."

Observations

(Continued from page 1377)

While Moscow's attempt to institute this technique in the Italian situation was largely thwarted by the Council of Ministers, the issue is about to be fought out again and more importantly now at Moscow. For the Russians have stretched *ad absurdum* the definition of "reparations," as practiced from Berlin to Korea. In Germany they have been operating 200 important industries in their zone as Soviet-owned trusts, confiscating property by way of making themselves sole owner. Actually the Soviet's *allies* are footing the reparations bill to her by furnishing the necessary imports to Germany, including food and other indispensable supplies, the payment for which is not going to them but to Moscow.

The British Emergency

England, of course, represents the major emergency; highlighted by her throwing of the Greek mess into our lap; the announcement of her grant of self-government to India, her discussions with Egypt and Burma, and her giving to UN trusteeship of Tanganyika, Togoland, and the Cameroons. The vigorous denial here by Hector McNeil, British Minister of State, that these withdrawals were forced by economic, financial, or commercial weakness, was almost simultaneously emasculated by Stafford Cripps' plea to Parliament that the India decision was inexorably forced on the government by its weakness.

While England's aid to Greece has thus far amounted to the equivalent of $225 million, and we are now called on to give at least $300 million in addition to the $479 million we have given to them since V-E Day to prevent a Communist accession, the worst part of the situation is the evidence of complete inability in financial administration repeatedly given by the Greek Government in connection with the circumstances surrounding our Export-Import credit negotiations.

And again in the case of Turkey, whom Egon Kaskeline in last week's "Chronicle" termed "the vital road-bloc against Soviet expansion," the British "receivership" will cost the United States more cold cash. In addition to our post-war "deposit" of $40 millions, the Turks are asking for a full half-billion to keep their heads above water.

Britain's Intrinsic Weakness

But the real crucial sore-spot for us is the threatened economic collapse of Britain herself, our outpost of civilization as we know it. Sad, but all too true, is the commentary of the prospects for the world's liberty, when we must pin our faith on an institution as authoritarian, however inept, as the British Labor Government.

Without great natural resources, England must depend more and more on a favorable export trade balance. But, whereas the prewar deficits were largely met from shipping income, she lost in the War 6 million dead-weight tons of that shipping. She had to sell $4½ billion of overseas investments. At home she has an acute manpower and work-desire shortage. But the crucial problem continues to center about her balance of payments situation with the rest of the world. The present nettlesome difficulty in regard thereto is that too high a percentage of her imports is coming from hard currency nations, (44% of the total from the Western Hemisphere), and those countries are in turn accepting only 13% of her exports. Hence England has been accumulating a favorable balance in soft currencies, while running a deficit in the hard currencies of the United States, Switzerland, the Argentine, Canada, and Sweden.

Hence our real "Big League" world responsibilities and decisions will begin in five months when under the terms of the Anglo-American Loan, Britain is called on to make sterling receipts from current transactions in any currency area without discrimination; and in any event when she has exhausted her quite-recently given U. S. and Canadian dollar credits—unfortunately a contingency which is already becoming uncomfortably possible. At that time we will have to decide once-and-for-all whether we "accept our own destiny as the chief world power . . . no matter what it costs"—in the words of Chairman Eaton of the House Foreign Affairs Committee.

The Stassen's and others may tour all of the countries of Europe on missions of elaborate economic inquiry, but the problem is precisely as clear and un-economic as that!

Permanent Authority for FR to Buy Bonds from Treasury Dangerous

(Continued from first page)

overdrafts mentioned below) be tested in the open money markets or shall the Reserve Banks monetize the Federal debt up to five billion dollars from time to time at rates to be determined by the Treasury and Reserve Authorities?

Stated in other words: Shall the people of the United States be deprived of the power to exercise the direct control over the public purse which Treasury borrowing in the open markets would give them?

Eccles' Philosophy

Mr. Eccles pursues the philosophy of the managed currency school of thought which takes it for granted that it is unwise and undesirable for the people to be able to exercise an effective direct control over the public purse. The money of the nation, in the opinion of the advocates of a "managed" currency, is not really the people's money in the sense that they may properly have something to say in a direct way and as individuals as to how government officials administer the public purse. Not at all. The public purse mean to them the government's purse, not the people's purse. Government officials who belong to this school of thought wish to be free from effective direct controls which people might exercise in the open money markets. They wish to manage the public purse as they see fit. They wish to borrow at low interest rates so that they can borrow more than probably would be the case if the interest rates in the open markets were permitted to control.

Concept of Managed Currency

These concepts of a managed currency are a part of the basic concepts of a governmentally-managed economy. The Eccles notions as to why the Treasury should not go to the open money markets for its funds are in principle the same as those involved when a government deprives the people of a gold-coin monetary standard. Such a standard gives every individual some direct control over his government's management of the public purse. The gold-coin standard places great limits on what the government managers of the people's public purse may do without receiving sharp and effective warnings. It is for these reasons that every Dictator and every government pursuing the program of a governmentally-managed economy must deprive the people of a gold-coin standard.

Depriving them of power to exercise direct controls over government borrowing is merely one, and a similar, aspect of the managed-economy, managed-currency concept.

The issue is basic. The public purse either is or is not the people's purse. It either is or is not something to be managed and manipulated by government officials according to any principles that they may choose to employ. The people either have a right to exercise direct controls over the use of their purse or they do not. The Eccles position is that the people should not have this right, at least in this five-billion-dollar case. His position in this instance is that the public purse is the government's purse, not the purse of the American people—the taxpayers and the lenders.

Governments have taken that position in the past, in a more extreme form, of course, but in accordance with the same principle; and in the end they have been overthrown after the people have concluded that they could not and would not endure any longer the government's handling of the people's purse.

Mr. Eccles' testimony seems to indicate clearly that he does not trust free open markets for government borrowing. He does not like the prospect of the controls that the lenders might exercise. He wants government "management."

Not Economic or Political Democracy

That is doctrine that is hardly appropriate in a country desiring a republican form of government, accompanied by economic and political democracy, in which the recognized principle should be that the public purse is the people's purse and that they should keep control of it.

It is not too much to say that, in principle, the Eccles doctrine is that of Dictator governments. There is nothing in any of his arguments that would not fit like a tailor-made glove the iron fist of any totalitarian Dictator.

Control through their representatives in Congress is not enough for the people of this country in monetary and fiscal matters. These representatives may cease to be responsible to the desires of their constituents. The people need and must keep direct controls such as those provided by a gold-coin monetary standard and the opportunity to say "yes" and "no" in the open money markets. Otherwise, an Administration and the people's representatives in Congress may run away with the people's purse and endanger or ruin the nation financially.

The contrary view is well presented by Mr. Eccles in his testimony of March 3 before the House Committee on Banking and Currency. He says that "it is unrealistic to presume, as this theory does (the theory that government borrowing should be subjected to the test of the market), 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."

Fallacies of Eccles' Arguments

The answer to that is very simple, in the opinion of this author. If Congress ignores its responsibilities to the taxpayers and proceeds to scatter their money in a profligate manner, the people **should** erect barriers to discourage the practice! That is precisely what they should do. It is their money that is being wasted. The fact that the Treasury may be embarrassed is hardly the major consideration. The Treasury belongs to the American people. All that Mr. Eccles is saying is that should Congress engage in an orgy of spending the people should not have the power to exercise direct controls, in the open money market, over this spending. In his words, "it is unrealistic to presume . . . the money market should erect barriers to discourage the practice"! That is the nub of the Eccles position.

His other statements in the main amplify his opposition to an open market for government securities. He says: "There could be no such market ["an entirely unregulated market"] except at the risk of chaotic condition in the bond market and incalculable added costs to the government in managing the public debt." Mr. Eccles overstates his case when he speaks of "an entirely unregulated market." The important point, however, is that he does not want the Treasury to come up against the costs of borrowing in the open markets. Yet it is rising costs which the people use as a brake on their government's borrowing. If they are deprived of this power their control is gone. That is in principle what Mr. Eccles recommends.

He says further: "Nothing constructive would be accomplished by the proviso that the Reserve System must 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."

That statement seems to approach the demagogic. It suggests that perhaps these bond dealers do not perform services that warrant commissions. Furthermore, such a notion is not "about all that such a ban means." What is involved is that the Treasury should go into the open money markets, use the mechanism which these markets provide, and subject its borrowing policies to the tests of the money markets just as other borrowers have to meet these tests, paying commissions and all other regular expenses. Otherwise the tests cease to be made, and the government officials are freed from the restraints to which they should be subjected.

Mr. Eccles says still further: "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."

Advantages of Open Market

Just about the reverse seems to be the case: A basic question "of monetary theory or policy" is involved; and it has already been stated. It is not a "businesslike" management of the public debt. **Businesslike** management would certainly involve the use of the open competitive markets where the forces relating to the supply of and demand for loanable funds would be in operation.

Mr. Eccles says that "the direct purchase authority is in effect merely an overdraft privilege with the Reserve Banks—a line of available credit for use if needed."

Mr. Eccles seems to have confused the provisions in this bill with the matter of Treasury overdrafts which were utilized up to 1935 chiefly in anticipation of tax receipts but also in anticipation of receipts from government securities in the process of flotation. Those overdrafts were for one, two or three days, seldom more, and were represented by special Treasury "one-day" certificates which were reduced quickly as tax or other receipts came in. Few of these tax (and other) anticipation certificates ran beyond three days; a large proportion of them ran not longer than one day. Their purpose was to stabilize the money market during taxpaying periods and the flotation of government securities. It was not to enable the Treasury to escape the open money markets in its borrowings, by using the Reserve Banks as a shelter from the people, and as a means of monetizing the Federal debt.

Overdraft Procedure

There was no objection, apparently, among the close students of the Federal Reserve System and the money markets to a use of these so-called "one-day" anticipation certificates. On the contrary, that practice appeared to receive almost universal approval. The Banking Act of 1935, as Mr. Eccles points out, was so worded that it prevented their subsequent use until authority was granted temporarily under the Second War Powers Act of March 27, 1942.

Mr. Eccles says that the proposal in H. R. 2233 "would restore to a limited degree an authority which the Federal Reserve System had from its inception in 1914 until the Banking Act of 1935." That statement seems misleading to this author. The Reserve Banks began to buy Treasury certificates in 1917, at the request of the Secretary of the Treasury, on the theory that Section 15 of the Federal Reserve Act, which made the Reserve banks fiscal agents of the Treasury, gave the Secretary the authority to require these banks to purchase these certificates directly. Actually, the Federal Reserve Act had no specific provision for such purchases. Apparently the power was assumed during World War I because it was not specifically prohibited.

Arrangements for tax and debt-flotation anticipation certificates can and perhaps should be written into the Federal Reserve Act. But that is not the same question as those involved in H. R. 2233. This bill provides for the direct purchase at any time by the Reserve banks from the Treasury of "any bonds, notes, or other obligations which are direct obligations of the United States or which are fully guaranteed by the United States as to principal and interest." This bill provides the Treasury with the means of escaping from the pressures of the open money markets. The Eccles testimony also reveals that purpose clearly. And it is a purpose that is very different from utilizing on tax payment dates "one-day" tax anticipation certificates as overdrafts, running generally from one to three days.

The overdraft procedure prior to 1935, the basis for it, and the theory of it, should not be confused with the provisions of H. R. 2233. If the House Committee, which is reported to have recommended another three-year extension of this authority, was confused, perhaps the Senate and Congress may do better and will separate the principle of "one-day" overdrafts from a means of escaping the open money markets and of opening a door to direct monetization of the Federal debt.

Nor does Mr. Eccles remind Congress that the Treasury and Reserve authorities, under Section 43 of the Act of May 12, 1933, have the authority, with the approval of the President, to make direct purchases from the Treasury of $3,000,000,000 of United States obligations "in addition to those they may then hold." Mr. Eccles was therefore asking for authority to purchase United States securities directly from the Treasury in an amount not just up to $5,000,000,000 but up to $8,000,000,000.

At no time during World War II did the Reserve Banks hold over $1,302,000,000 of short-term Treasury certificates. Considering amount alone, not principle, it is not clear why Mr. Eccles should request authority to buy up to $5,000,000,000 besides the $3,000,000,000 provided for in the law of May 12, 1933.

Short-Term Overdraft Certificates Advocated

It should not be difficult to draft a bill authorizing Treasury overdrafts at the Reserve Banks in anticipation of tax receipts or receipts from securities in the process of sale to the general public, these overdrafts not to exceed, say, 1.5 billion dollars on any day and to be retired from the receipts against which they were issued as anticipation certificates. A very short maximum maturity should be specified for these certificates—a maturity not to exceed the date of arrival of the receipts. The rates charged by the Reserve banks on these advances should be so arranged that they will not give the Treasury any advantages at the Reserve banks beyond the convenience involved in the overdrafts.

Such very-short-time overdrafts seem desirable as a means of avoiding unnecessary and undesirable disturbances in the money markets. But a device for escaping from the open money markets and for monetizing the Federal debt free from such restraints as the general public might place upon Federal borrowing—all of which are provided for in H. R. 2233—cannot be defended as sound procedure in central banking or in the Treasury's management of the people's purse.

This advertisement is neither an offer to sell nor a solicitation of an offer to buy any of these securities.
The offering is made only by the Prospectus.
The sale of this stock does not constitute financing by the Company.

March 11, 1947

177,000 Shares

Cory Corporation

Common Stock
($1 Par Value)

Price $10 Per Share

Copies of the Prospectus may be obtained in any state in which this announcement is circulated only from such of the several Underwriters as are registered dealers in such state.

Glore, Forgan & Co.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Canadian Securities

By WILLIAM J. McKAY

Ottawa has taken the first practical step to refute the persistent propaganda emanating principally from the Canadian gold mining interests which challenges the wisdom of the Dominion's action in restoring the Canadian dollar to its normal parity.

From the point of view of the gold industry, which undoubtedly suffered a severe blow as a result of the diminished price of its product, the most efficacious cure for their malady would be a devaluation of the dollar. Accordingly strong pressure has been exerted in an endeavor to accomplish this end. Such efforts have recently been redoubled as the gold mining industry's dream of an internationally higher price of gold has been shattered by the obvious determination of the monetary authorities here and elsewhere to avoid any action that would either contribute to the current inflationary pressures, or disturb the comparative stability created by the maintenance of the parities of the world's key currencies.

When Canada took the decisive step to restore the dollar to its old parity full consideration was given to all its implications and possible repercussions. It is perhaps true that the timing of the decision was open to criticism but it was generally considered to be an inevitable postwar development. A motivating factor was the sharp price-rise that took place here with the removal of controls, and today this consideration is certainly no less pressing. The British crisis has added fuel to the propaganda of the proponents of devaluation, but this situation appears to have passed its low point.

In any case the Dominion can not step aside from the deliberate course it has taken and recent reports from Ottawa are indicative of this determination. Action, however, is more powerful than oratory and tax relief given to the gold-mining industry is the chosen alternative to currency devaluation. This is only the first answer to the challenge and now that the Canadian authorities have turned their attention to constructive action further steps can be anticipated.

Furthermore the ties between this country and the Dominion are becoming ever closer. The harmonious relationship between the two countries has progressed even beyond the stage of "the 4,000 miles of unfortified border." Canada is not only a vital military buffer to this country but it is also the country that is the closest in common ideals and way of living. It is natural therefore that the international border should tend increasingly to have only an academic importance. Thus a common currency, if not a necessity, is at least fitting in the general scheme.

During the week the revived doubts concerning the ability of the Dominion to maintain its currency at par led to weakness in all sections of the market. The undigested balance of the new Montreal issue and offerings below the issue price also weighed on the general situation. These developments can only serve to bring home to the competent authorities the necessity to implement official denials of any contemplated currency change. The stock markets also reacted disappointingly to the announcement of tax relief to the gold-mining industry but on reflection it might be found that such concessions are more beneficial than the casual reaction would suggest.

CANADIAN BONDS

GOVERNMENT
PROVINCIAL
MUNICIPAL
CORPORATION

CANADIAN STOCKS

A. E. AMES & CO.
INCORPORATED
TWO WALL STREET
NEW YORK 5, N. Y.
RECTOR 2-7231 NY-1-1045

TAYLOR, DEALE & COMPANY
64 Wall Street, New York 5
WHitehall 3-1874

CANADIAN SECURITIES
Government Municipal
Provincial Corporate

Blyth & Co., Inc. Offers Northern Indiana Com.

Public offering of 383,434 shares of common stock without par value of Northern Indiana Public Setrvice Co. was made March 12, at $19.75 per share by Blyth & Co., Inc., which was awarded the issue at competitive bidding on March 10. Of the stock being offered, 182,094 and 54,417 shares are being sold by Midland Realization Co., and its subsidiary, Midland Utilities Co. respectively and 146,923 shares are being sold by The Middle West Corp.

The shares are being sold by the Realization and Utilities companies in compliance with a plan of reorganization under which the two companies will be liquidated and dissolved. The shares are being sold by The Middle West Corp. pursuant to the reorganization plan.

Dividends on the common stock of Northern Indiana are now being paid on a quarterly basis at the rate of $1.20 a year.

Capitalization of the company consists of $51,000,000 of long-term debt, 211,380 shares of 5% preferred stock, $100 par value, and 2,181,550 shares of common stock.

Holt & Collins

SAN FRANCISCO, CALIF.—With the retirement of William Ede, Jr. from the firm of Holt, Collins & Ede, a new partnership, Holt & Collins has been formed. Offices will be continued in the Russ Building. Partners are Edison A. Holt, member of the Los Angeles and San Francisco Stock Exchanges, and Daniel J. Collins.

Graham Towers Canadian World Bank Director

Replaces R. B. Bryce, but will retain position as Governor of Bank of Canada. Canadian Minister of Finance emphasizes importance of World Bank to Canada.

The Honorable D. C. Abbott, Minister of Finance, who is Governor for Canada of the International Bank for Reconstruction and Development, announced on March 6 that he had nominated and elected Mr. Graham Towers to serve as Executive Director for Canada of the International Bank in place of Mr. R. B. Bryce, who has resigned from that position at his own suggestion in order to make it possible for Mr. Towers to serve the Bank in this capacity at this important period in its operations.

In commenting on this action Mr. Abbott stated that the Bank has now completed its first stage of organization and is at the point of commencing its operations in international lending and in approaching the securities markets for the funds which it will need for that purpose. Mr. Abbott emphasized the importance to Canada of the Bank in assisting in the general program of economic reconstruction, and he stated that the Government is keenly interested in the success of this great international organization. He felt that Mr. Towers as an Executive Director could make a highly useful contribution to the work of the Bank at this time. The Minister pointed out that Mr. Towers is expected to devote only a reasonable portion of his time to his new duty and will, of course, carry on with his responsibilities at the Bank of Canada.

Mr. Bryce was elected a Director of the Bank by the votes of Canada at Savannah about a year ago and has devoted a portion of his time to the Bank as part of the duties of his position in the Department of Finance. Mr. J. F. Parkinson, Financial Counsellor at the Canadian Embassy in Washington, will continue as alternate Executive Director for Canada on the Board of the Bank.

Strength and Vitality of Unlisted Market

(Continued from page 1380)

ganizations. In addition, gathered with us are representatives of the bodies administering legislation regulating our business. We have also the officials of our own Association, a number of other associations, local and national, and officials of the Stock Exchanges. Imagine, if you will, as I have often, what could be accomplished if the community of interest, demonstrated by our attendance here tonight, could be put into practical effectiveness in the welfare of our business and the investing public. You and I know from our own experience in business that no problem is beyond solution if it is approached objectively by men with a sincere interest in arriving at a fair solution. Riding rough-shod over one's opponents, intolerance of their vital interest or unwillingness to consider the other fellow's viewpoint—these are not the best means of resolving problems if they are to remain resolved. And our business should be the last to be guided by the jungle technique of getting ahead by stepping on the other fellow's carcass, for the very simple reason that it is the public interest and not our selfish impulses which will weigh us in the balance.

Speaking more directly to and for those of us in the Over-the-Counter business: the present would seem to be a challenging one, calling for recognition of our own strength and vitality and a militant spirit of friendly cooperativeness.

Importance of Unlisted Market

Ours is the market, remember, which supplies industry, commerce and government, with the capital with which plants are built, equipment purchased, employment provided, streets, schools and hospitals constructed and maintained. It is a market vastly larger in numbers of people participating, merchandise dealt in, volume of business transacted, than of all the exchanges combined and without which the exchanges themselves could not grow and develop. We in the securities business know and appreciate this. Isn't it about time the general public was made aware of the facts? The strengthening and broadening of quotations of Over-the-Counter securities during recent years, and efforts to gain ever broadening coverage, is a subject that exemplifies the dynamic modern character of our business. The billions of corporate securities annually distributed through our facilities, the markets established and maintained for these, the local and national characteristics of our enterprise are commonplace knowledge to us but sadly unknown to even our own customers, let alone the multitudes of the general public.

And it is time, too, for those responsible in an official capacity for protecting the public's interest to widen their vision and expand their understanding of this market. They should at least be put on notice that we are not in a quiescent mood and that we expect to be heard when and if any undertakings affecting us and our market—and the public interest, I might add—are on the agenda for action.

Duty to Protect Public

When I took office two years ago and had the pleasant task of addressing the Annual Dinner, I burdened you with a few observations that possibly sounded like unadulterated sentimentality. I had reason to refer back to what I said at that time and I would like to repeat a single passage here tonight, as follows:

"Let no one of us lose sight of the one duty each of us in our own field has assumed or had delegated to us—protection of the public interest. If we always remember that our ultimate success will be measured by how well we discharge that obligation, I, for one, think that all else that intervenes is but a passing matter. More than that, I believe, that if in our relations we keep that objective in mind, some of our differences will be simpler of solution. There should not at this date be room for disputes between us which can be settled only in the heat of selfish controversy. There is opportunity for all in the business, competition is the health of trade and so long as we keep always before us our common objective the future is assured."

These are my beliefs, gentlemen, as I am sure they are yours. Let us hope they will be realized.

John Schiff Trustee

John M. Schiff

John M. Schiff, member of the investment banking firm of Kuhn, Loeb & Co. and former commander in the United States Navy, has been elected a trustee of The Bowery Savings Bank.

Mr. Schiff was born in Roslyn, New York, in 1904. He was graduated from Yale University in 1925 and from Oxford University, England, in 1927.

Mr. Schiff is a member of the New York Stock Exchange and associate member of the New York Curb Exchange. He is Vice-President of the National Council Boy Scouts of America and trustee or director of the New York Zoological Society, Provident Loan Society, National Jewish Welfare Board, New York Public Library, New York University, New York Chapter American Red Cross, Greater New York Fund and Chairman of the Visiting Nurse Service of New York.

Mountain State Stock Placed on Market

Blyth & Co., Inc., and associates made a public offering March 12 of 140,614 shares of common stock of Mountain States Power Co. at $34.50 per share. The shares, representing 56.42% of the company's issued and outstanding common stock, are being sold by Standard Gas & Electric Co.

Upon completion of the sale, Mountain States Power Co. will cease to be a subsidiary of either Standard Power & Light Corp. or Standard Gas & Electric Co. Mountain States is an operating public utility company engaged chiefly in the generation, purchase, transmission, distribution and sale of electricity. Retail sales are made in 109 communities and adjacent rural areas in Oregon, Wyoming, Montana, Idaho and Washington. Wholesale distribution is made to three communities, to another private utility and to five rural electrification projects.

Total operating revenues of the company for 1946 amounted to $7,178,531 and net profit for the period was $1,043,186. It is expected that, at a meeting of the board of directors this month, a dividend of 62½ cents per share will be declared on the common stock, payable April 21 to stockholders of record March 31. A dividend of 45 cents was paid on Jan. 20 of this year and prior to that dividends were paid quarterly since September, 1940, at the rate of $1.50 per year.

On Sept. 30, 1946, the company had a funded debt of $9,700,000. Outstanding at that time also was $2,649,650 principal amount of 5% cumulative preferred stock, $50 par value, and 249,233 shares of common stock, without par value.

March 19 Dinner of La Salle Street Women

La Salle Street Women will hold its March 19th dinner at 6:15 p.m. at the Cordon Club, 410 South Michigan Avenue, Chicago. "Social Security: What Will It Mean to You?" will be the subject of the guest speaker, Thomas M. Galbreath, Manager, Chicago office of the Social Security Administration.

Washington And You

(Continued from page 1377)

ing chickenfeed politics, had accepted a Hartford insurance job with six figure pay, had announced his retirement. For two major reasons he renounced his vow and took the senatorial nomination: (1) he was to be Vice-Presidential nominee with Minnesota Governor Stassen as top man on the Republican totem pole, or (2) he was to be President Stassen's Attorney General.

* * *

The Republican calliope is steaming along into more budgetary discord. House Republicans will chop big, perhaps arbitrary hunks from the budget, tell the bureaucrats to tailor their expenditures accordingly or resign. The Senate will refuse to concur, will send appropriation bills back across the Capitol for upward revision. How long this shuttle business can operate before breaking down is a matter of conjecture, but House Republicans are getting exasperated by the big brother vetoes of their economy ideas and can be expected to say so shortly.

* * *

Bureaucrats collectively are balking logical budget reductions. As the Government spokesmen parade before House Appropriations subcommittees, each is asked for economy recommendations. Each stoutly retorts not a dime could be withheld from his particular agency without damage to the taxpayer. That leaves no alternate to the budgeteers than to prescribe such arbitrary cuts as they see fit.

* * *

The situation has become so absurd that even the Treasury Chief Clerk testified he could not dispense with the service of a single messenger else the American public would suffer.

* * *

Immediate cash payment of the five-year terminal leave bonds is to be authorized by Congress before the 1948 presidential campaign. House Republicans will squelch the bill now being pressed by Democrats, will later bring out similar legislation of their own.

* * *

Banks can begin to think about a system of cooperation with Treasury Department in exchanging the terminal leave securities for cash. The Treasury will ask the banking system to redeem the bonds as they now redeem Federal savings bonds.

* * *

Treasury policy makers say most banks have done a bang up job of promoting savings bonds sales but claim banker cooperation has been spotty and want Congress to appropriate more funds for "educating" bankers. Associate National Director of the Treasury's Savings Bond Division has passed the word to congressional appropriators that some bankers "do an excellent job because they are very much sold on the idea," while others "give us lip service only."

* * *

North-South feud over railroad rates is banging into a climax of legislative and judicial decisions. Southerners bet the Supreme Court will uphold the ICC order hiking manufactured goods freight rates 10% in the Northeast and reducing them a like amount in the South and as far west as the Rocky Mountains. Northerners counter with wagers Congress will legalize the fixing of rates by carriers in conference with the ICC and thereby nullify the complaint now before the Supreme Court that high southern rates have been established in violation of antitrust laws.

* * *

Chances are good that Congress will enact legislation enabling stockholders to institute voluntary reorganization plans for defunct railroads under certain circumstances. Such a bill was passed last year, encountered a pocket veto. Sponsors hope to efface White House opposition with limiting amendments.

* * *

Social security tax for old age assistance is to be frozen at present level of 1% on employer and a similar levy on employee. In the absence of freezing legislation, the rate would advance to 2½% on employer and employee alike next January 1. Reserve fund, however, has grown so corpulent that no increase in the tax is now seen as necessary during the next five years.

* * *

Uncle Sam has decided he will no longer angel for the national banks the cost of operating the office of the Comptroller of the Currency in Washington. Hitherto, only actual bank examination costs have been levied against the banks. Congress has contributed $250,000 annually for Washington operating expenses. First day of the current fiscal year, the entire load was shunted to the banks.

* * *

The Comptroller operates as a sort of independent agent, keeps bank assessments apart from the general fund of the Treasury, hires bank examiners without regard to civil service. That may be changed. Some Congressmen would extend Government routine to the Comptroller's Office, would have examiners screened by civil service examination, would have bank assessments deposited in the general fund and examiners likewise paid therefrom.

* * *

House Appropriations Committee staff will shortly start a study to determine whether the typewriter industry should be freed from congressional price ceilings on typewriters purchased by the Government. The Committee has rejected an industry plea that the practice of fixing maximum prices payable by the government for typewriters be abolished, but has ordered its research men to investigate and make recommendations on this issue before next year's hearings on 1949 appropriation bills. The typewriter ceilings will remain in 1948 appropriation authorizations.

* * *

Extent to which the Treasury has succeeded in extracting the Federal debt from the banking system is emphasized by latest figures on national bank transactions. Investments by the banks in United States Government obligations declined 19% from Dec. 31, 1945 to Dec. 31, 1946. Other bonds, stocks and securities held by the banks increased 16% in the same period.

* * *

The 1947 buyers' market is expected to purchase more phonograph records than ever before but to shun the product of small firms in the industry, thus enervating the little fellows. Commerce Department oracles have a feeling that the small firms will be severely handicapped as competition becomes keener.

* * *

Don't plan on any early increase in the interest rates on Federal securities. Average interest rate on the national debt today is 2.06%. Treasury Secretary Snyder views that as generally fair to both Government and investors. Hiking of bill and certificate interest rates looks remote but will be ordered if the shifting of bank money from short to long-term paper gets out of hand.

* * *

Today's average interest rate of 2.06% compares with a similar rate of 4.19% on a comparative date following first World War. Three factors raised the rate from a 1.96% level a year ago—(1) retirement of low-rate issues held mainly by the banks; (2) sale of higher rate issues to Government trusts; (3) large sale of savings bonds.

* * *

The Treasury expects to up the printing of currency from 87,000,000 sheets in the current fiscal year to 88,000,000 in fiscal 1948 and to boost coin production from 1,983,427,000 to 2,024,000,000 pieces.

* * *

Treasury Secretary Snyder has told Congress the World Bank will act upon some five or six pending loan applications "before very long." He says the Bank "is getting ready to move along now."

Allied Chemical & Dye Corporation

To the Stockholders:

Herewith are presented the consolidated balance sheet of the Company at the close of business December 31, 1946, and the consolidated income account for the year.

Net income for the year was $26,706,691.

In 1946 the Company received from customers		$280,945,262
These receipts were expended for:		
The cost of goods and services bought from others	$153,823,200	
The cost of human energy (wages and salaries)	71,755,308	
The cost of tools wearing out (depreciation) and contingencies	10,210,649	
The cost of payments ordered by Government (taxes)	22,263,377	
The cost of using the tools (compensation to owners)	22,692,728	
Interest and dividend receipts		3,813,963
Total Receipts		$284,759,225

Total business for the year was 5% greater than in 1945. Sales of chemical products in 1946 were the largest in the history of the Company. Demand for principal products such as alkalis, acids, dyestuffs, roofings, coke, detergents and nitrogen products, exceeded the maximum output which the Company's plants were able to produce.

Selling prices on the average were only slightly higher than those prevailing during 1945. At the end of 1946, hourly wage rates were 15% higher than in 1945 and more than double the average ten years ago.

Because of the continued uncertainties confronting industry, $2,000,000 was provided out of 1946 income and credited to the Reserve for General Contingencies.

In addition to regular dividends of $6.00 per share, the Company paid a special dividend of $2.00 per share on December 27, 1946.

Gross additions to the property account amounted to $30,337,273 and retirements totaled $4,738,346. Projects in 1946 included expansion of existing facilities for all the Company's basic products and the purchase from the Government of a large nitrogen plant at South Point, Ohio, and a sulfuric acid plant at Front Royal, Va. The Company is continuing as rapidly as possible with its broad construction program which includes plant and equipment for commercial manufacture of products recently developed by research. The new central research laboratory at Morristown, N. J. is nearing completion.

The Directors believe that the Company's financial strength, as reflected by the balance sheet, will enable it to share fully in the industrial activity of the country during the years ahead and to meet such new conditions as may arise.

Respectfully submitted,

F. J. EMMERICH, *President*

Dated, March 12, 1947.

CONSOLIDATED GENERAL BALANCE SHEET—DECEMBER 31, 1946

ASSETS

PROPERTY ACCOUNT		
Real Estate, Plants, Equipment, Mines, etc. at cost		$307,722,022.78
INVESTMENTS		
Sundry Investments at cost or less		28,136,994.74
CURRENT ASSETS		
Cash	$64,226,204.90	
U. S. Government Securities at cost	52,972,083.25	
Marketable Securities at cost	14,809,375.00	
Accounts and Notes Receivable—less Reserves	20,645,779.98	
Inventories at cost or market whichever is lower	28,588,124.64	
		181,241,567.77
DEFERRED CHARGES		
Prepaid Taxes, Insurance, etc.		1,631,716.69
OTHER ASSETS		
Patents, Processes, Trade Marks, Good-will, etc.		21,305,942.61
Total		$540,038,244.59

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	$9,336,770.69	
Wages Accrued	1,278,598.67	
Taxes Accrued	20,676,132.54	
		$31,291,501.90
RESERVES		
Depreciation, Obsolescence, etc.	$238,668,156.01	
Investments and Securities	40,000,000.00	
General Contingencies	20,656,776.82	
Insurance	2,015,548.50	
Sundry	1,479,482.04	
		302,819,963.37
CAPITAL STOCK AND SURPLUS		
Common Stock, without par value, basis $5. per Share Issued 2,401,288 Shares	$12,006,440.00	
Capital Surplus	101,037,235.00	
Further Surplus	118,720,404.80	
Total Capital Stock and Surplus	$231,764,079.80	
Deduct Treasury Stock	25,837,300.48	
		205,926,779.32
Total		$540,038,244.59

U. S. Government Securities include Treasury Savings Notes with principal value of $12,000,000; other U. S. Government Securities had a market value at December 31, 1946 of $40,973,119. Marketable Securities consisting of 144,900 shares of common stock of the United States Steel Corporation and 270,000 shares of capital stock of the Air Reduction Company, Inc., listed on the New York Stock Exchange, had a market value at December 31, 1946 of $19,840,575. Treasury Stock consists of 187,189 shares of common stock carried at cost.

Further Surplus consists of $97,098,560 earned surplus accrued to the Company since its organization and $21,621,845 accrued to its subsidiary companies prior to the Company's organization.

CONSOLIDATED INCOME ACCOUNT

YEAR ENDED DECEMBER 31, 1946

Gross Income (other than dividends and interest) after provision for depreciation, obsolescence, repairs and renewals, all state and local taxes	$ 41,092,310.48	
Provision for General Contingencies	2,000,000.00	$39,092,310.48
Other Income:		
Dividends	$3,079,939.77	
Interest	734,022.98	3,813,962.75
Gross Income before provision for Federal Income Taxes		$42,906,273.23
Federal Income Taxes		16,199,582.30
Net Income		$26,706,690.93

SURPLUS ACCOUNT

Surplus at December 31, 1945	$210,763,740.87	
Net Income year 1946	26,706,690.93	$237,470,431.80
Dividends declared on Common Stock	$19,210,304.00	
Less: Dividends on Treasury Stock, not included in Income	1,497,512.00	17,712,792.00
Surplus at December 31, 1946		$219,757,639.80

Gross Income includes $461,204 representing credit resulting from increase by Canadian Government in official rate of exchange of the Canadian dollar to parity with U. S. dollar. Other Income-Interest includes $323,325 received on refund of Federal taxes for prior years.

Allied Chemical & Dye Corporation,
New York, N. Y.

We have examined the consolidated general balance sheet of the Allied Chemical & Dye Corporation and its subsidiary companies as of December 31, 1946, and the statements of consolidated income and surplus for the calendar year then ended, have reviewed the system of internal control and the accounting procedures of the company and its subsidiary 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. 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 consolidated general balance sheet and related statements of income and surplus present fairly the position of the Allied Chemical & Dye Corporation and its subsidiary companies at December 31, 1946, and the results of their operations for the calendar year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

WEST, FLINT & CO.

March 11, 1947

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Last week the money markets were under one of the heaviest barrages in many a moon, as the Chairman of the Federal Reserve Board sought extension of the authority to purchase directly from the Treasury, up to $5 billions of government securities.... The campaign of inconsistency, confusion and uncertainty was going full blast as Mr. Eccles testified before the House Banking and Currency Committee, as to what would have to be done to interest rates if the right to buy government issues directly from the Treasury were withdrawn....

It seemed as though the question of changes in short rates was so hot that some expected changes to take place so fast and furiously, that there might even be several alterations before a day's trading sessions would be over, particularly if one put any stock in reports that were flying around....

Editorials were written about the ending of an era of low interest rates, because of the imminent changes that were scheduled in short-term rates.... Mr. Eccles' testimony was the reason for all the stories about the immediate defrosting of the bill and certificate rates, in order to prevent long-term interest rates, or yields, from going too low....

FEARFUL

The Federal Reserve Board Chairman appears to be scared stiff that there is going to be another runaway market, on the up side for the longer maturities of eligible issues. . . . The restricted bonds would probably rise in sympathy with the climb in prices of bank obligations....

At the same time he is against the issuance of long-term restricted obligations to non-bank investors, until there is some way to prevent the sale of eligible securities to the commercial banks by the life insurance companies, savings banks and other investors....

No increase in supply of ineligibles could move outstanding issues up, irrespective of what the bank bonds do....

WHAT'S THE DIFFERENCE?

Mr. Eccles is likewise very much against monetization of the debt, which he claims would come through purchases of longer-term eligibles by the commercial banks, so he wants to increase short-term rates to make the earlier issues more attractive.... To whom would the short-term issues be more attractive if the return was higher? ... Certainly not to insurance companies, savings banks and other investors, since they would not be attracted by even higher short-term rates....

Is there any great difference whether the debt is monetized through purchases by the commercial banks of short-term or long-term Treasury obligations? . . . There may be that minor difference of greater risk of price fluctuation in the purchase of the longer issue....

However, from the standpoint of deposits being created by the acquisition of government securities there is no difference whatsoever.... Also there is considerable doubt that higher short-term rates would prevent, as some think, the switch from bills and certificates into still higher yielding long-term obligations.... Neither is it likely that it would deter the selling of short securities to get funds that would be put into larger yielding business borrowings or term loans....

OTHER INVESTMENT SOURCES

There had been considerable discussion about the trend of long-term interest rates well before Mr. Eccles brought it out in the open last week.... While there is a feeling that prices of the longer Treasuries might move up, somewhat, from recent trading areas, which would carry certain issues to new yearly tops, there appear to be very few with the belief or opinion that the market will duplicate last spring's performance. . . . It has been pointed out quite frequently that the commercial banks are now finding outlets other than government securities for assets, that have been decreasing and will continue to decline through debt redemption....

These new sources of investment have made less acute the need for larger income, so that there has not been, nor is there likely to be, the same switching out of shorts into longs in order to maintain earnings....

Likewise with the increase in the risk factor which is taking place every day, as funds are being put to work, outside of government securities, there is a very noticeable trend toward greater conservatism in investing the remaining assets.... This has resulted in a much increased demand for short governments to insure liquidity and limit the risk of wide price movements that could take place in longer-term obligations.... It seems as though the shift into longer Treasuries from the shorter maturities is not likely to be anywhere near the threat to longer-term interest rates that it was believed it would be....

Aside from a few of the smaller institutions, which are largely savings banks, the shifting from shorts to longs is of declining importance now.... It appears as though the new channels of investment for the commercial banks have written at least a temporary ending to the much feared scramble for the long-terms....

WELL BOUGHT

What has been and still is going on is switching from the very shorts into the somewhat longer short-term issues.... That is from certificates and short bonds into the issues due in 1951 and 1952.... This is the range in which the bulk of the changes are made and where the greatest pressure is being put on interest rates.... However, this shifting does not extend maturities beyond that of a note, which is still considered short-term....

The 2¼s due 1956/59 are being well bought, because this is one of the few issues in which the commercial banks have only small positions.... This security is an intermediate-term issue, but with a floating supply that should be sufficient to meet the demand without forcing rates too low....

Also the longest eligible, the 2½s, due September 15, 1967/72, as well as the last partially-exempts, the 2¾s due 1958/63 and 2¾s due 1960/65 should be available in amounts that would not exactly spell ruin for long-term rates.... It should be remembered that since the demand for long Treasuries seems to have abated considerably and this trend is likely to continue for a while, one of the greatest threats to stability of long-term interest rates has been removed.... Demand for the long issues would probably be revived, with a slump in business, since a lower trend of interest rates then, would most likely result in large purchases of those securities....

"JITTERY" MARKET

Despite Mr. Eccles' statements about the possibility of higher short-term rates, prices of government issue have been firm to better with a new high for the move being made recently by the "Vic" 2½s.... The attempt to put the market into a state of jitters has not worked yet and the minor recession from the tops of last week is attributed much more to the foreign situation and a weak and uncertain stock market, than to the great and concentrated "Open Mouth Operations"....

Taft, Ruml and Blough On Budget and Taxes

(Continued from page 1381)

personal income tax, that's about 20% of the total receipts of the personal income tax, and that the balance, estimated at about three billion dollars, be applied to debt reduction. Of course, I agree fully the budget must be balanced. But if this program is carried out, it will be balanced by more than four billion dollars."

Mr. Ruml stated his views more extensively by saying:

"The basic principle of setting tax rates seems to me should be to balance the budget at high levels of employment. If tax rates are set any higher than this, the effect of taxes will be to bring about a lower national income and greater unemployment than otherwise would have been the case. To apply this principle, we must first agree on a figure for national income at high levels of employment. Next we must decide which budget we want to balance and we must have some idea as to how large this budget is likely to be. Now the President's economic report tells us the national income in 1946 was about $164,000,000,000 and that for 1947 an overall increase of 5% might be a reasonable objective for a maximum production. So in considering our policy in setting tax rates we can properly take high level of employment to mean a national income of some $170,000,000,000. The figure allows for some decline in prices from today's level. Now when we talk about balancing the budget we should realize that there are two budgets. One is the conventional budget. The other is a consolidated budget on a cash basis."

"The consolidated budget on a cash basis is referred to by President Truman in his economic report. The consolidated budget on a cash basis means that we take all the financial transactions of the Federal Government, income and outgo, on a cash basis, the income taken away from the people in taxes and the income back to the people in expenditures. And by consolidated we mean that we eliminate all the inter-office transactions in the budget that do not affect the public. President Truman points out in his economic report that it is the consolidated budget on a cash basis that measures the economic impact of Government transactions on the economy. So it seems to me obvious that it is the consolidated budget on a cash basis that we should balance at high levels of employment."

Mr. Ruml continued by stating: "The consolidated budget on a cash basis will show a surplus of about four billion dollars for the current fiscal year. Suppose Congress cuts the President's askings for next year by as much as four billion dollars. Then for 1948, present tax rates at high employment would yield a total of 8 billion dollars as a surplus. Accordingly, we are able to cut present tax rates to yield 8 billion dollars less than they otherwise would, and still the budget would be balanced at high levels of employment."

Expenditure Reduction

Regarding the extent of expenditure reduction the participants were not in full agreement. Prof. Blough held that Senator Taft, who urged the importance of reduction, was "pretty optimistic" and expressed doubt that all proposed expenditure cuts could be made. To this Senator Taft replied:

"I've been through this budget pretty carefully myself, and I feel confident you can cut four to five billion dollars out of the budget. There are all sorts of—of extra expenditures departments that haven't cut down, a tremendous personnel in the Government. The Army and Navy originally figured that for a million men in the Army and 500,000 in the Navy they needed $6,000,000,000. Now they want $11,000,000,000. Certainly we can make a substantial cut and still maintain the proper sized Army and Navy. I'm a little concerned about this recent development in Greece. But in the budget already is all the food we need for Greece, and all of the surplus materials that we may sell Greece. I think even if you have to add $100,000,000 or so, it doesn't affect the basic possibility of reducing this budget by $5,000,000,000. 37½ billion dollars is a tremendous budget, more than three or four times what it was before the war."

Mr. Ruml, on being questioned, said he had no particular views as to the extent of expenditure reductions, but stated that "four billions ought to be a reasonable goal for reduction of expense." To this estimate, Dr. Blough replied: "We aren't going to know about it for sure until June or July and even then we aren't going to be sure about it because of the deficiency appropriations which always come in late in the year where the cuts have been too deep, so that it will be some time before we can count these budget cuts."

Forecast of Tax Reductions

Discussing the extent of possible tax reductions, both Senator Taft and Mr. Ruml were for it. Senator Taft stated bluntly:

"I think that taxes ought to be cut. They ought to be cut because they're too high. They're too high on the ordinary man and woman in the United States today. You take a single man or woman—a school teacher, for example, receiving $1,000 a year. She has to pay $495 a year in taxes. I don't know how she lives on $1,000. A married couple with an income of $2,000 pays $190 in taxes. A married couple with an income of $4,000, pays $589, and a married couple with a gross income of $5,000 must pay $800 in taxes. That's a burden that the people of this country can't stand and it seems to me that we must set our tax system at a figure which the country can stand. Not only is it hard on individuals but if we're going to pay 37-39 billion in taxes, plus 11 billion for state and local, we're paying somewhere between 25 and 30% of our income for taxes. In other words, every man, woman and child in the country on the average is working one day in three or four for the Government. I think that kind of an economy is so heavy that in the end it will prevent the development of a free enterprise economy at all."

To this Sen. Taft added:

"This business of keeping the taxes up is inflationary. The burden is so heavy on these people, 44,000,000 of them, whose incomes are under $5,000, that the general tendency has been to increase wages to take care of it—increase the wage level some more. The result of increasing the wage level is that then you increase prices. It is when taxes have reached the point they have now reached, they are an inflationary element. People won't pay that much of their income in taxes, consequently inflation is the cushion to which they turn. And the general result of maintaining taxes this high, is to keep or increasing prices and wages to take care of them. So that I say to retain—to go on at this rate of taxation—is itself inflationary as far as raising prices and wages are concerned."

Mr. Ruml's theory of taxation was in setting tax rates that would "balance the budget at high levels of employment. If tax rates are set higher than this, the effect of taxes will be to bring about a lower national income and greater unemployment than otherwise would have been the case.

"To apply this principle," he maintained, "we must first agree on a figure for national income at high levels of employment; next we must decide which budget we want to balance, and we must have some idea as to how large this budget is likely to be."

On the bases of his estimate of eight billion dollars surplus, he thought this would make it possible to: "(1) reduce individual income taxes by 20% in the aggregate but not necessarily equally across the board; (2) increase exemptions for dependents by $100; (3) eliminate all excises, war and pre-war except those on tobacco alcohol and gasoline, and (4) reduce the corporation income tax from 38 to 34%." He thought alternative possibilities might well be suggested.

"Tax reduction of the magnitude that is both possible and desirable," Mr. Ruml added, "is both unnecessary and undesirable if we will move promptly toward making the products of American industry and agriculture more available for world relief and reconstruction. We can still reduce taxes substantially and at the same time make substantial additional loans and gifts abroad. In our own interest a greater contribution to world rehabilitation by taking less than this 8 billion dollars of possible tax reduction appears to be the humane and realistic program for the coming year."

Debt Reduction Policy

Regarding national debt reduction, all agreed it was desirable to take immediate steps toward that end, but Dr. Blough would make no commitment "until the situation clarifies more definitely as to just where we are going to be so far as the budget is concerned." Mr. Ruml was opposed to a definite commitment to a program of debt reduction "except as debt reduction comes automatically as a result of levels of employment or of prices that are too high in terms of the long-term national outlook." To this, Senator Taft agreed.

The Extravagant Truman Budget

(Continued from first page)

process of being whittled down by Congress. Nine billion was our peak in "huge" pre-war budgets.

Typical Budget Items

Why should it cost taxpayers almost $700,000,000 more in 1947 than in 1946 to operate regular government bureaus and departments? Why does operation and cost of unkeep of the executive mansion have to be more than three times the amount spent before the war? Do we need over a million more civilian personnel in war agencies today than we did before Pearl Harbor? All our departments of Government are slated to get what we used to call "wartime appropriations."

The Department of Commerce, for example, is to have more than thirteen times the $20,000,000 at its disposal before the war. It is difficult to understand why in times of good employment almost as much money is delegated to "relief" as in depression periods. The veterans, the farmers, the old people among us are adding to the unreasonably high budget by asking the Government to solve all problems. Individual self-reliance and economical planning are being discarded as everyone turns to Washington.

Subsidies

The cost of subsidies this year will be over $13,000,000,000. Today many individuals who desire something for themselves or for a particular group first endeavor to obtain it through Washington rather than through their own resources and initiative. Formerly, only as a last resort, did our people take their problems to the Federal Government. Subsidies given to any individual or group cause a shift of some control to men and bureaus in the Federal Government. This control is unhealthy for our country.

Handing over much of the country's cash to support certain groups is not democratic and is financially dangerous. The United States spent $80,000,000 in price supports to the farmers on potatoes alone in 1946. More and more farm products are asking for price supports. Farmers will probably be paid well over $320,000,000 for cutting down production this year. The program for export subsidies means the Government sells farm products overseas at a loss, after buying them here at high prices with the taxpayers' money. On-job training for veterans is to result in a billion dollar subsidy to businessmen.

Financial Suicide?

By recent estimates each worker labors almost a full day every week just for the Government. If over-grown and wasteful Government continues how much of the worker's pay will be "take-home?" Let us realize that every time we ask our Government for money we are really digging into our own pockets and those of our children for perhaps generations to come.

It will be a pity if we as farmers, businessmen, job-holders, and veterans hand down to future generations a heritage of debt and greed. Both can kill at the roots future opportunities for the high standard of living of which we have been so proud. We are at last learning to "turn over the box and look at the price" when buying merchandise; let us follow the same principle when paying our taxes. Surely, let us see what is in the box!

St. Regis Paper Company reports on 1946

Sales and Earnings at New High

	1946	1945
Net Sales	$82,782,186	$52,500,824
Net Profit	$ 5,563,604	$ 2,211,411

Properties Acquired in 1946	Additional Annual Capacity
Pulp and paper mill at (Cantonment) Pensacola, Fla.	42,000 tons of kraft pulp and 59,000 tons of kraft paper and paperboard
Pulp and paper mill at Pensacola, Fla.*	90,000 tons of kraft pulp and 86,000 tons of kraft paper
Pulp and paper mill at Bucksport, Me.	112,000 tons of pulp and 100,000 tons of printing and publication papers
Paper mills at Kalamazoo, Michigan	80,000 tons of printing and publication papers
Pulp and paper mill at Little Falls, Minnesota	10,000 tons of pulp and 12,000 tons of printing and publication papers
Paper mill at East Pepperell, Mass.	35,000 tons of kraft paper and kraft specialties

195,000 acres of Southern timberland
400,000 acres of timberland in Maine
*Under construction by company in which St. Regis has an interest.

Plant Expansion	Additional Annual Capacities
Multiwall bag plant at Pensacola, Florida (Under construction)	50,650 tons
New and enlarged bag plant facilities at Vancouver, B. C.; Dryden, Ont., and Cap de la Madelione (Three Rivers), Quebec	20,000 tons
$6,000,000 program at Deferiet, N. Y. mill (largely completed)	30,000 tons of printing and publication papers
$2,000,000 program at Trenton, N. J. plastics plant (completed)	10,000,000 lbs. of Panelyte plastic

Development of Products, Markets and Methods of Production

Bleaching of sulphite and groundwood pulps by St. Regis patented procedure
Application of coating material to the surface of paper as it is being manufactured on paper machines
Panelyte drip baffle plates for refrigerators
One-piece Panelyte door frames and breaker strips, with hidden fastening devices attached, for refrigeration
Decorative Panelyte for table tops, bars, furniture
Multiwall paper bags adapted for new fields (over 400 commodities now being packed)
Multiwall paper bags . . . expansion within existing markets
New mechanized bag-making equipment

Summary of Consolidated Income for the Year Ended December 31, 1946

Net Sales, Royalties, and Rentals	$82,782,186.06
Cost of Sales and Expenses	74,118,642.88
Operating Income	8,663,543.18
Income Credits	1,443,445.00
Gross Income	10,106,988.18
Income Charges	582,546.28
Net Income Before Provision for Federal and Foreign Income and Excess Profits Taxes	9,524,441.90
Provision for Federal and Foreign Income and Excess Profits Taxes	3,785,207.87
Net Income Before Deduction of Minority Interests	5,739,234.03
Deduct Minority Interests in Income	175,630.47
Net Income	$ 5,563,603.56

Looking Forward

A full twelve-month operation of original and newly acquired properties is expected to increase the sales volume for 1947 to more than $110,000,000. Completion of plans for plant modernization and installation of mechanized high-speed equipment will increase manufacturing efficiency with resulting economies. The unity of interest between labor and management was furthered during 1946, and the personnel of recently acquired mills is being rapidly merged into the St. Regis organization. The Company's products continue to supply the needs of the customers engaged in twenty-one basic American industries.

DIRECTORS:
J. H. Allen, J. O. Bulkley, T. H. Cosford, W. DeLong, W. K. Dick, W. J. Dixon, R. K. Ferguson, M. F. Ford, E. R. Gay, H. R. Lamb, H. S. Lewis, H. E. Machold, C. R. Mahaney, R. B. Maltby, C. B. Martin, J. A. Quinlan, W. H. Versfelt

ST. REGIS PAPER Company
230 PARK AVENUE, NEW YORK 17, N. Y.
NEW YORK • CHICAGO
BALTIMORE • SAN FRANCISCO
IN CANADA: St. Regis Paper Co. (Can.) Ltd., Montreal

PRODUCTS: St. Regis "Tacoma" bleached and unbleached sulphate pulp . . . Multiwall Bags and Bag-filling Machines . . . Printing, Publication and Specialty Papers . . . Panelyte—The St. Regis Structural Laminated Plastic.

Digitized for FRASER
http://fraser.stlouisfed.org/

Conditions of Employment Stabilization

(Continued from page 1381)

speaking, take care of itself. One has to add, though, that the willingness to save is quite a different concept from Keynes' propensity to consume, because willingness to save as I use it is not an individual propensity only —it depends also on business policies of corporations and on public financial policy.

Stabilizing Investment

I do not think one can conveniently group all that together under some propensity-to-consume function. If the willingness to save should change then an adaptation of the volume of investment will be necessary, unless the willingness to save has changed as a result of deliberate policy by public bodies so as to bring about an adaptation to an existing volume of investment activity. However, as a first approximation, I think one can say that if we want to stabilize the aggregate expenditure, then the first thing is to keep the volume of investment on a relatively stable level.

Let me begin with **private investment.** There are two kinds of private investment; the professional investment by business people and the investment by consumers, who buy durable consumer goods. Houses may be classified under the one or the other, but I prefer to place it in the former one.

I should like to say first a few words about the private **professional** investment. This investment depends on profit expectations. Hence it is desirable that costs and sales prices should not get out of line with each other. Nor must expectations as to the quantities that one can sell be subject to violent fluctuations if we are to get the desired stability.

Of course, in individual cases for certain commodities or a certain industry, that happens all the time; but for the economy as a whole, it is desirable that the cost and price relationship and development be such that profit expectations do not become very pessimistic or very optimistic.

Wage-Price Relationship

The relation between costs and sales prices and, on the other hand, also the expected volume of business, is particularly important in industries where real investment —production of capital goods—is large, for instance in the house-building industry.

Let us look at that first. The most important item in cost is wage payment per unit. Taking the economy as a whole, it is obvious. Hence the relation of wage rates per unit of output to the price per unit of output in the investment industries, is particularly important. If wage rates are determined by bargaining and the efficiency of production cannot be rapidly increased, it is important that prices should adapt themselves to these conditions of cost. To have free wage movements and controlled prices is, I think, not in the long run compatible with full employment, unless such an adaptation is permitted.

Profits depend also on the volume of business. For this reason, it is not only necessary that prices should bear some normal relationship to cost; it is also necessary that investment goods prices should bear some normal relationship to the purchasing power of the people who are to buy these investment goods or to buy the consumers' goods which they help to produce.

In the case of houses and many other things, it is the average income level of the consumers that is the source of the demand. So prices of investment goods must bear some sort of practicable relation to the average income level.

If the costs of new houses and their prices should go up, relative to the average income level, it is natural to expect a fall in the demand for new houses and a decline in investment. So it is highly important—I personally think that this is perhaps the most important relation of all, if I should mention any one before the others —that costs in the building industry do not get out of line with the general income level. Monopolistic price and wage policies in the investment industries like house-building may raise costs and reduce the volume of investment in such a way as to curtail the total volume of employment.

Some economists stress the fact that the volume of investment depends on the development of consumption. We all know about the acceleration principle: Investment depends on the **rate of change in consumption.** Observe that with this attitude it is the rate of change in consumers' income that is really the strategic factor. I agree, of course, that investment in manufacturing industries, for example, and everywhere to some extent, is influenced by the rate of change of consumers' incomes. But it seems to me to be almost inconceivable that the development of consumers' incomes should vary in the very specific manner which would be necessary in order to make for a relatively stable volume of investment.

Importance of Construction and Public Improvements

It is probably impossible to work on the rate of change of consumption as the factor which one can effect in order to make the whole system relatively stable.

Besides, the new investment in factories and machines, etc., for the consumers' industries is certainly not one-half of the total volume of investment in countries like the Western democracies. The investment in house-building and in the construction and expansion of cities is, in most cases, by far the largest item of investment, and more than fifty per cent of the total. So if the volume of investment that is handled by, say, the municipalities in public buildings, in new streets and in new city communications and so on, plus the volume of investment in house construction, which is regulated in different ways in different countries, under more or less public control, if that could be kept on a relatively stable level, and that is not quite so difficult, then it would form a nucleus of stability in the economic system. If we have that in order, then it will not be so difficult to keep the inevitable variations in some investment lines within reasonable limits and so offset them by changes in others.

Effect of Interest Rates

So far, when analyzing costs, I only mentioned labor costs. But **interest rates** are, of course, also an important cost item, not in consumer goods industries, but in the investment trades, including house building. Therefore there is, *a priori*, an argument in favor of varying the interest level if we want to affect the volume of investment. It may be difficult to do so in countries with a large government debt, as most countries have now, because changes in the interest level do cause fluctuations in the capital values of long-term bonds and other things too, and that may affect the position of the banking system and the insurance companies. A considerable rise in the interest level would reduce the value of bonds so much as to make some banks that are otherwise quite stable somewhat shaky. It is therefore an important problem in some countries, where the banks own large quantities of bonds, whether one could construct a system whereby the market long-term rate in interest could be varied while the repercussions on the banks of these fluctuations in interest rates and capital values, could be prevented. If that could be done, then it would be easier to use a change in the interest level as a means of affecting the volume of investment.

Then perhaps interest policy might come into its own again after having almost disappeared for ten years, as evidenced by the fact that many people talk about a permanent tendency to oversaving and underinvestment, without mentioning the possibility that a much lower rate of interest could increase investment.

Inventory Fluctuations

A special sort of professional investment consists of **commodity stocks.** They may vary suddenly. As a mater of fact, they often do, because if consumers vary their demand, retailers are apt to reduce their stocks. Therefore the retailers' demand from producers or wholesalers will go down more rapidly than the consumers' demand.

I have come to the conclusion—a very tentative one—that one important reason why a small recession develops into a somewhat more serious recession is this reaction by professional buyers and their tendency to reduce their stocks when their own sales go down. Therefore, one important aspect of any anti-depression policy would seem to be to reduce, if possible, capricious changes in inventories.

This would be very difficult and to some extent impossible, but it is obvious that if the commodity price level is kept relatively stable, then retailers will not have so strong an inducement to vary their stocks as they otherwise would have. The risk of **individual** fluctuations in commodity prices would not be an incentive for retailers to vary their stocks so much as they have been doing in the last decades.

Central Banking Controls

In my opinion the development of the commodity price level in, let us say, the next decade or two, will depend chiefly on the development of wage rates relative to efficiency. I do not think that central banks will have much chance of influencing the development of the commodity price level, for what made central banks so powerful before 1914 was the fact that they had the power to create depressions. The central bank could restrict credit and raise interest levels, reduce investment and cause unemployment, if prices tended to rise; thereby it could even bring about some wage reductions. Anyway, it could prevent further wage increases for a certain period—a couple of years or so. But the whole idea behind the policy of maintaining a high level of employment is that we should not have depressions and if we take away from the banking system the power to create depressions, then they cannot do very much. Therefore, if we want to maintain relatively stable commodity price levels, it would seem to be necessary to obtain in some other way a reasonably stable wage level, or wage levels that rise at about the same rate that productivity goes up.

Stable Wages and Prices Most Favorable to Employment

It is, in my opinion, not advisable to reduce wage rates in a depression, except when certain wages are out of line with others. Perhaps one might also temporarily reduce wages to some extent in certain investment industries if it can be done quickly and once and for all. You could perhaps stimulate building by cutting building wages quickly and once and for all, but I think it is a risky policy. If you have that system you set up expectations that when a recession has begun, "wages will go down, and before they have done so, I'd better sit back and wait and not build." That would intensify the depression. On the whole, therefore, I think that relatively stable wage levels will create the most favorable conditions for employment.

Should wage rates and wholesale price levels vary quickly, the influence on all kinds of investment will be considerable, and fluctuations in the volume of investment will be inevitable, for people will expect higher or lower prices and they will increase or reduce their investment accordingly. Furthermore, consumers' purchases would also be made more erratic, because consumers also would speculate in what will happen to prices next year or next month.

Now, if consumers reduce their purchases when prices are expected to fall, and the professional investors do the same, that means that planned savings are increased by consumers at the very time when planned investment goes down. It is not very useful to have people try to increase saving at a time when investment falls. Then you get a lack of balance and you get a tendency towards the contraction of economic activity, a recession.

The impression one gains is that some government action to check the tendency to excesses in the construction trades at one time and stimulate it at other periods is almost certainly necessary, because the influence of changes, say, in marriage rates and age composition of population, movement from one part to another and technological change and so on, will almost certainly be so considerable that unless there is some central interference, considerable fluctuations will be inevitable.

It goes without saying, when we are talking here about the private professional investment, that it would be useful if business firms learned to plan some of their investments of the more durable kind—I am not talking about inventories now—and if, in planning this part of their investment, business firms could pay relatively little attention to the fact whether there will be a slight recession or not six or nine months hence. It is not at all certain that this would be a bad policy from their own point of view.

I have actually met some businessmen who say that they always plan to invest when business conditions are bad, because they think then they will be ready for better conditions two years hence.

Private Investment by Consumers

I turn now to the question of **private investment by consumers.**

If the wage level were kept relatively stable and if monopoly prices were on the whole prohibited by government regulations, then expectations of sudden price changes with regard to the durable consumer goods need not arise. And if serious unemployment were not caused by other factors, then I suppose consumers would go on buying durable consumer goods at a relatively even rate. Consumers' purchases of durable consumer goods are therefore, it seems to me, rather a secondary element in the process. It is true, of course, that there might be a reinvestment cycle with regard to the consumer goods, just as there is, for instance, with regard to ships in some countries. In one period people buy lots of ships and buy a lot of motor cars; and then, after seven or eight years, they have to renew this body of ships and cars. But so far I do not know that it has been proved that there is a very strong reinvestment cycle in durable consumer goods. There might be after this war, because the war did prevent people from buying durable consumer goods, and they will buy a lot of them during the first three or four years after the war. It may be that they will buy less during the next three years and then buy more again to replace the former. That, however, remains to be seen.

To sum up, if consumers' purchases of durable consumer goods should have a tendency to vary—a tendency to vary a great deal—I think one could change credit conditions. One might reduce the initial payments and lengthen the period of amortization when selling on instalment.

On the other hand, if the demand for consumer goods tends to expand too rapidly, one could increase the initial payment and reduce the period of amortization.

One can, of course, also use subsidies in depression to help people buy durable goods, like furniture, as I indicated in my review of the Swedish program.

Public Investment

The next type of investment is **public investment.** The least one should wish with regard to public investment is that it is kept on a relatively stable level. This has not been so with municipal investment and with investment in government business enterprises. Therefore I think it is very important that municipalities and government enterprises make long period programs for their investments. They at least should be in a position to be able to do this, whether a slight recession appears or not.

Secondly, everybody agrees that it would be natural to try to offset variations in private investment by increases or reductions in public investments, financed through borrowing. One difficulty is how one shall be able to reduce these public investments quickly enough when the recovery is well under way. It is hard, I think, usually, to convince the general public and the political assemblies that while you still have a considerable amount of unemployment, it is time to prepare for the cutting down of public investment. But if you do not start cutting it down then, and wait until there is already full employment, then the public investment may do some harm in intensifying the boom.

The aim of the public investment policy should not be, as I indicated in the beginning of the lecture, only to offset changes in private investment, because the total aggregate volume of investment should be adapted to changes in willingness to save, or, if you want to put it another way, to changes in consumers' purchases for current consumption. It is quite possible—and this is a part of a problem that has been relatively little discussed in the literature—that when a boom has developed and lasted for some time, consumers tend to get more optimistic and therefore spend a larger part of their expected income for current consumption—in other words, save less. If that should happen, then it will be desirable to cut down the volume of investment in this second phase of the recovery. I think that it is quite likely that this has been the case in Sweden in 1946, when consumers seem to have started to consume relatively more than they did in 1945, and that it is actually one reason why it has been found necessary to cut down the volume of investment in Sweden in 1947.

Unfortunately, there is very little statistical evidence of the changes in the willingness to save. You can see that people do not put so much money in the savings bank as they used to, and that kind of thing; but that is only an indication and not a measure of the change. However, it should not be impossible to make selective, detailed investigations and use Gallup Polls and such methods to find out something more about possible changes in the willingness to save. You can get to know that quickly enough to be useful for policy.

It is obvious, though, that policy has not necessarily to take the willingness to save as a given factor in the problem. One might, through policy, deliberately change the willingness to save, because one part of it is the savings or the negative savings done

by municipalities and governments and so on. For instance, the state and the municipalities can have surpluses during booms and deficits during depressions. A tendency in this direction is normal because of the attitude of finance ministers and the stickiness of public expenditure. You often get a surplus on current account in a boom because the Minister of Finance has been cautious and a deficit in a depression because he was not pessimistic enough. But it would seem to be quite natural to use a deliberate policy to have a relatively large surplus in booms and relatively large deficits in depressions. That is the policy of a cyclical balancing of the budget, or rather the cyclical balancing of the budget is one example of such a policy. From this point of view, one reaches the conclusion that the state finances, for instance, should have a surplus when it is considered desirable to exercise restrictive influence on the economy as a whole, but not for any other reason, not because you think you should reduce the government debt. Unless, while you decide to reduce the government debt, you also deside to invest what you save in some new enterprise or investment.

Deficit and Surpluses

It is not at all certain that one will get a balancing of the budget in the long run. It depends on how one chooses the volume of employment at which the budget is balanced. If we choose a relatively high level, the surpluses would be somewhat smaller than the deficits in the depressed conditions.

One could, if one wanted a policy of this type, increase tax rates or introduce new taxes in booms and reduce taxes in depressions. I did suggest, in 1931, as a quick way of increasing expenditure, that the Swedish Government should not ask people to pay the amount on the tax forms but should allow everybody to collect that amount of money from the treasury. But somehow people did not take this very excellent proposal seriously.

Anyhow, the suggestion of lowering taxes in depressions and increasing them in booms should not be excluded, especially to reduce tax rates for the poorer groups in society during a depression would seem to be quite natural if we once got rid of the idea that we must balance the budget over this very artificial astronomical period of twelve months. I do not mean that it is artificial from an astronomical point of view, but from an economic point of view.

Unemployment insurance systems with fixed payments have a tendency in the right direction, because money is piled up during good times when unemployment is low, and money is taken out of the fund when employment is low. This, of course, would be even more so, if, as has been suggested, you should raise the contributions in good times and reduce them in depressions. But policies of this sort can only mitigate fluctuations which are nevertheless relatively serious.

This will not always exercise a dampening influence, but may, on the contrary, strengthen the recession tendencies. The degree of employment which is the average one and on which unemployment contributions are based—e.g. 90% employment—may be quite an unsatisfactory state. But the social policy workers have found it necessary owing to past experience to make the assumption that an average of 90% employment is what they can count on.

The volume of employment is usually well above that level when a recession tendency starts. If you have an employment level of 96% and a recession starts, you still go on pumping money into the unemployment insurance fund, while the employment goes down from 96 to 94 and 92; and only when you get below 90 do you get the benefit of taking certain amounts net out of the fund. So unless we can base the unemployment insurance contributions on the assumption that we are going to succeed in having a very high level of employment this policy does not contribute to the desired stability of employment on a relatively high level. It does tend to weaken the forces that make for a very serious unemployment but that is about all.

Consumption vs. Savings

Many economists stress the fact that consumers' demand and consumers' expenditure are more stable than the investment expenditure. They, therefore, draw the conclusion that one should try to increase consumption and reduce saving and investment. That would make for a more stable economic system. For instance, one might make the distribution of income more equal That would reduce saving and increase consumption. I think it is true, that you will get somewhat weaker tendencies to economic fluctuations in a country where people save and invest very little, because purchases for current consumption are relatively stable. But whether one wants this development with a relatively slow rate of expansion, as you would then have, or if one prefers the risks of a somewhat

(Continued on page 1400)

HIGHLIGHTS OF 1946 OPERATIONS

Celanese Corporation of America

AND DOMESTIC SUBSIDIARY COMPANIES

Volume of Business Sales of Celanese* products—chemicals, textiles, plastics—were the highest in the Corporation's history, totaling $135,202,211, compared with $104,197,237 in 1945. The increase came principally through additional production achieved through new and improved equipment and processes, and from plants acquired through the merger with Tubize Rayon Corporation early in February, 1946.

Earnings Consolidated net income also set a new high record—$16,059,416, compared with $7,613,489 for 1945. The earnings for 1946 were equivalent to $2.36 per share on 5,514,107 common shares outstanding at the year-end. On a comparable basis for the shares outstanding at the end of 1945, after adjustment for the common stock split in 1946 of 2½ shares to 1, the earnings per share for 1945 were $1.13.

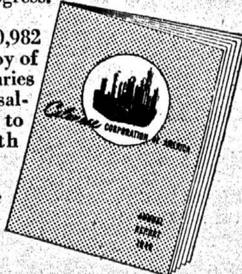
Dividends The 29,200 preferred and common stockholders received a total of $7,988,685 in dividends during 1946, the largest amount in the Company's history. Earnings retained in the business will help to finance the expansion program now under way. The amount paid in dividends to holders of common stock during 1946 amounted to $2.25 per share before giving effect to the common stock split. This amount includes the dividend of 25¢ per share declared for the fourth quarter on the common stock following the split of the common stock of 2½ shares for 1.

Working Capital Additional working capital in connection with the expansion program was provided by the private sale to ten insurance companies of $25,000,000 twenty-year 2.85% debentures, due December 1, 1966. Working capital at the end of 1946 amounted to $84,763,326, compared with $59,736,169 at the end of 1945. Current assets showed a ratio of 11 to 1 over current liabilities.

Research Continuing its policy of intensive research, Celanese expended in 1946 $2,284,571. The two research fields in which the Company specializes—cellulosic chemistry and petroleum chemistry—offer broad opportunities for future achievement.

Expansion Additions to plant for 1946 totalled $20,476,451. The major items of expenditures included completion of additional units of the chemical plant near Bishop, Texas; construction on plant facilities at Narrows, Va., Belvidere, N. J., and Bridgewater, Va., and additional facilities at Cumberland, Md., and Newark, N. J. The Company's long-range program of expansion includes construction of a new cellulose acetate filament yarn plant at Rock Hill, S. C., on which work has already been started. With demand for the Company's products considerably in excess of supply, increased production is essential to meet the requirements of industry and will be progressively obtained through plant changes and construction now in progress.

Employees An average of 20,982 men and women were in the employ of the Corporation and its subsidiaries during 1946. Total wages and salaries paid in 1946 amounted to $51,399,065 compared with $38,183,945 for 1945.



Celanese operations for 1946 are reviewed in the annual report which has just been published. A copy will be sent on request.

Condensed Consolidated Balance Sheet, December 31, 1946

ASSETS

Current Assets:		
Cash with Banks and on Hand		$42,923,527.82
U. S. Government Obligations (quoted market value $25,557,000.00)		25,559,713.45
Trade Accounts Receivable, less reserves		10,418,977.09
Other Accounts and Advances and Interest Receivable		421,809.80
Inventories (Raw Materials, Work in Process, Finished Goods and Supplies)—at cost or less, not in excess of market		13,744,965.98
Total Current Assets		93,068,994.14
Investments—at cost (including foreign subsidiaries—$1,913,493.74)		4,544,328.97
Land, Buildings, Machinery and Equipment, Plant under construction and mechanical and other supplies—at cost	$138,717,642.05	
Less Reserves for Depreciation and Amortization	53,061,869.46	85,655,772.59
Prepaid Expenses and Deferred Charges		6,159,290.37
Federal Tax Claims		2,484,753.16
Notes and Accounts Receivable Deferred, less reserve		32,195.94
Patents and Trade-marks		1.00
		$191,945,336.17

LIABILITIES

Current Liabilities:		
Trade and Other Accounts Payable		$ 4,568,304.33
Accrued Liabilities		3,737,363,49
Total Current Liabilities		8,305,667.82
3% Debentures due October 1, 1965		40,000,000.00
2.85% Debentures due December 1, 1966		25,000,000.00
Reserves		4,407,820.85
Capital Stock:		
Authorized:		
First Preferred—500,000 shares, without par value.		
7% Second Preferred—148,179 shares, par value $100.00 per share.		
Common—7,500,000 shares without par value.		
Issued and Outstanding:		
First Preferred, $4.75 Series, Cumulative, without par value, 420,000 shares	$40,425,000.00	
7% Second Preferred—148,179 shares par value $100.00 per share	14,817,900.00	
Common—5,514,107½ shares without par value	2,205,643.00	57,448,543.00
Surplus:		
Capital	27,297,716.97	
Earned (since December 31, 1931)	29,485,587.53	56,783,304.50
		$191,945,336.17

Condensed Consolidated Statement of Profit and Loss for the Year ended December 31, 1946

Net Sales	$135,202,211.62
Cost of Goods Sold	88,889,957.34
Depreciation	5,913,781.86
Selling, General and Administrative Expenses	12,061,311.14
	106,865,050.34
Net Operating Profit	28,337,161.28
Other Income	728,681.12
	29,065,842.40
Income Deductions (including interest on debentures $1,217,203.49)	1,429,425.93
Net Income before Federal Taxes on Income	27,636,416.47
Federal Taxes on Income	11,577,000.00
Net Income for Year	$16,059,416.47

Statement of Earned Surplus for the Year ended December 31, 1946

Earned Surplus at Beginning of Year		$ 16,066,123.65
Earned Surplus of Tubize Rayon Corporation as of date of merger, February 8, 1946		5,348,732.88
Net Income for Year		16,059,416.47
		37,474,273.00
Deduct Cash Dividends:		
Common Stock	$4,956,341.26	
7% Second Preferred—$7.00 per share	1,037,253.00	
First Preferred Stock, $4.75 Series—$4.75 per share	1,995,091.21	7,988,685.47
Earned Surplus at December 31, 1946		$29,485,587.53

Statement of Capital Surplus for the Year ended December 31, 1946

Capital Surplus at December 31, 1945	$ 22,332,693.59
Add—Capital Surplus of Tubize Rayon Corporation as of date of merger, February 8, 1946	4,869,330.58
Capital Surplus arising from exchange of 702,856 shares of Tubize Rayon Corporation Common Stock for 468,571 shares of Celanese Corporation of America Common Stock on February 8, 1946	234,285.28
	27,436,309.45
Less—Expenses in connection with merger of Tubize Rayon Corporation into Celanese Corporation of America	138,592.48
Capital Surplus at December 31, 1946	$27,297,716.97

The foregoing balance sheet and statements are condensed from, and should be read in conjunction with, the financial statements and notes thereto appearing in the annual report, dated February 19, 1947 to stockholders of Celanese Corporation of America, which contains the certificate of Peat, Marwick, Mitchell & Co., Independent Public Accountants. A copy of the report to stockholders may be had upon application to the Corporation. The balance sheet, statements, and report do not constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of Celanese Corporation of America.

Executive and Main Sales Offices: 180 MADISON AVENUE, *New York 16, N. Y.*

*Reg U. S. Pat. Off.

Digitized for FRASER
http://fraser.stlouisfed.org/

Conditions of Employment Stabilization

(Continued from page 1399)

greater fluctuation in employment, that is of course a subjective matter about which scientists can say nothing. It is for the politicians, or rather for the people, to decide whether one thing is desirable or not.

In my opinion there are many good reasons for wanting a more equal distribution of income. It could be brought about, for instance, by improvement in the education of the children from the poorer groups. But I cannot regard the greater instability of employment in a rapidly progressive society as a weighty argument for measures to reduce the rate of progress by means of bringing about a more even distribution of income. I should rather say that the fact that employment stabilization is somewhat more difficult in a rapidly progressing society should be a challenge to economists and politicians to work out the policy that will nevertheless maintain a reasonable degree of stability.

I shall not go into the question of the influence of wage policy on corporate savings, which in the future probably will be an important problem. Neither shall I discuss the obvious importance of a high geographical mobility of labor and adaptability of labor to different tasks, willingness to learn new trades and so on. Let me, however, stress in passing the fact that there is a certain danger if you do get structural and local islands of unemployment. and if you do not get sufficient labor mobility, that governments will start public works, as a substitute for labor transfers. That, of course, would mean an economic loss.

Time does not permit me to discuss such questions as the importance of overtime to prevent maladjustments, or the question of seasonal unemployment, which is very important — extremely important in certain countries.

International Aspects of Unemployment

I shall turn instead to some remarks about the international aspects of the problem of unemployment stabilization. Of course, I can only touch upon a very few aspects, because almost everything in international policy has a repercussion on national income and employment, so almost everything could be included.

One way to increase investment and maintain employment is to give credit to foreign countries, i.e. make investment abroad. Rich countries might, when they see a recession coming, grant credits to foreign countries. Unfortunately, the position of debtor countries is likely not to be quite satisfactory when a depression in the creditor countries has begun to reduce the latter's purchases of the former's products. Many of the borrowing countries do not have a very stable economic situation anyhow, and it is apt to be weakened if a depression should start in a creditor country. Furthermore, in the world as it looks today, political risks are obviously considerable. Hence it is impossible to say what hope for a policy of speeding up capital investments abroad one can have. Chances would be increased if one of two things should happen: Either one can create an international organization and the suitable institutions to take care of this problem. It may be possible if the International Bank got this task, and if everybody wanted to collaborate in this policy, or, if we could get a great improvement in the international political situation. Then I think even without very much organization a leading policy of the desired kind might ensue.

"One World" Prosperity Not Essential

It is sometimes said, as one argument in favor of the policy of placing capital abroad, that one country cannot be prosperous if all countries are not prosperous—we are all part of one world, and so on. I personally do not believe that at all. I think we can be very prosperous in three-fourths of the world even if the fourth part is poor, as long as we have had time to adapt ourselves to this situation of having relatively little trade with that fourth part of the world. If that were not so, I do not see how we could ever have been prosperous, as China, for example, has been poor forever. There are many good reasons for an international social policy and we do not need to advance weak arguments in favor of it. It is not true either that wage standards have to be reasonable everywhere in order to make prosperity possible anywhere; nor is it true that it is desirable from the point of view of a high national income everywhere that wage standards should be the same everywhere. But it is true that if investment in backward countries, or in countries with relatively scanty capital supply, could be planned in advance and speeded up in depression periods, that might help both the borrowing countries and the lending countries, partly because sudden fluctuations in some parts of the world—rich or poor—tend to have an unfavorable influence everywhere.

If governments take a part of the risk for certain types of capital exports, for instance, through the use of a credit insurance system, then it would not be out of the question to make conditions more favorable to business when the recession tendencies have started. But here, as elsewhere, it is very difficult for governments to be quick enough. The effect may be to stimulate export and credit when the recovery has already come.

If capital movements will probably not play a large role in helping to find suitable fields for investment, at least it should not be asking too much if one hopes that they will not develop in so capricious a manner as to make economic policy in general very difficult. What happened in 1930-1931, when erratic capital movements were one of the most important causes of the international depression, would seem to be possible to prevent. The new international institutions can no doubt lend a valuable assistance in this respect.

Let me turn to another aspect of this international problem of employment stabilization. Many countries have to choose between a high level of employment plus import restrictions and a somewhat lower level of employment plus freer international trade. If they want to maintain the former in a situation when some large countries do not maintain full employment, that will be the choice. For instance, if we should have a real depression in the United States, it would be true of almost the entire rest of the world that we would all have to choose between either accepting a reduction in our volume of employment or use import restrictions. Otherwise our balance of payments would turn in a negative direction at a time when we could not sell to the United States, but when it is easier to get goods delivered from the United States.

Stability of Foreign Exchange

The stability of the foreign exchange rates assumes that they are adapted not only to relative cost and price levels, which is conventional—as stated in all the textbooks — but adapted also to the relative degrees of employment, the relative intensity of employment in the different countries. Or perhaps one should say that the foreign exchange rates, if they should be maintained without use of artificial trade restrictions, must be adapted also to the per cent which the actual national income in each country has to its full employment national income. The higher the percentage of employment and national income a country wants to maintain when others have a relatively lower volume, the lower must be the external value of its currency to prevent imports from being too large and exports too small. For otherwise a country with a relatively low volume of employment gets export surpluses, and one with a relatively high level of employment will get an import surplus assuming that the foreign exchange rates have been adapted to the relative cost levels.

To be sure, if all countries had large reserves of foreign exchange, it would be useful if every country were willing to accept, the one, an increase, and the other a reduction in foreign exchange reserves. But if a country wants a relatively high volume of employment without trade restrictions and yet does not want to or cannot afford to lose gold or foreign exchange, then it must keep the value of its currency on a relatively low level. This means that the import and export prices will be relatively high compared with home market goods in that country. If it is a small country, it will then be very difficult to prevent a rise in the wage and price levels; if we consider what would happen in Iceland, for instance, that is obvious. Unless wage levels are controlled by the government or some other kind of control, it would be almost impossible to prevent inflation in such a country. Hence it would not be feasible to keep a relatively high degree of employment, if you do not want either inflation or trade restrictions. To some extent, that will be true of many countries, although not to the same extent as for the small nations.

Obligations on Financially Strong Countries

The connections I have now touched upon, which are of course well known, seem to impose a special obligation on financially strong countries. Should they not succeed in maintaining a relatively high level of employment, it will be very difficult for the others to do so, and there will be a temptation for the others to introduce import restrictions.

Should the financially strong countries use a recession as a reason for putting on import restrictions, then other countries will be forced to follow suit. Countries with large gold and foreign exchange reserves or very large countries with a relatively sticky wage level and a low external value of currency may for any length of time maintain a considerably higher level of employment than the rest of the world or the part of the world with which they trade most.

If a policy to maintain employment is accepted in a country, it is more than likely that they would use import restrictions during a period of international recession, for in the short run this would increase their national income. It is not certain that it would increase their income in the long run, but in the short run it is better to keep people employed even if productivity is somewhat reduced through import restrictions.

Hence it is obviously desirable that all countries should fall in line with the policy of maintaining a high level of employment, and that should in itself have a stabilizing influence, for instance, on world market prices for raw materials.

It would seem to be desirable, however, that world market price fluctuations are mitigated through some sort of organized action. If international credit transactions could become a stabilizing factor and not a disturbing one through sudden and violent movements of short-term funds, that should help also. I shall not say anything at all about this latter question—the question of an international fund and an international monetary bank. It is too large a problem. Before I finish, I shall only add a few words about the policy of mitigating price fluctuations in the world market through a buffer stock policy.

Raw Materials Fluctuations

It is well known that raw material prices usually fluctuate more than prices of finished goods. Producers tend to make "vicious" alterations in their stocks which strengthen the price fluctuations for the primary commodities and exercise a disturbing influence on the whole economy. Such price fluctuations particularly disturb the economic position of raw material exporting countries. A large part of international trade of the world is in raw materials. Therefore, it is very important that raw material prices be kept, not stable, but at least fluctuating less than our experience has been in the last decades.

"Buffer Stock" Policy

A depression in the United States leads to a large drop in the world demand for raw materials, because the United States uses such a large part of the world's raw materials. Therefore a depression in the United States alone can cause a fall in world market prices for important raw materials. This may set up general expectations of price falls and may help to spread the depression to other countries. Stable wage levels can perhaps bring about a relative stability in the prices of finished goods, but it will not eliminate, although it will probably reduce, the fluctuations in raw material prices. For that reason, I am inclined to agree with those who think that the "buffer stock" policy with regard to international raw materials is one of the most important parts of a policy of employment stabilization.

This opinion has recently been expressed by so many people and institutions — the Committee on Foreign and Economic Relations of the Twentieth Century Fund, the League of Nations Committee on Economic Fluctuations, and others. It seems that production controls and export quotas tend to subsidize high cost production, and therefore it is probably not advisable to use direct production controls and export quotas as a means of stabilizing raw material prices. We know what happened to the price of rubber in the 1920's—about 1925 or 1926. It does not invite us to try that policy again. It is better to have an international buffer stock agency which can buy and store and sell the store in such a way as to mitigate price fluctuations.

The League Committee has suggested that this buffer stock agency should buy a certain raw material at a certain declared minimum price, a price which is declared in advance, and should also undertake to sell that commodity at a certain declared maximum price. Then trade would know that the fluctuations will be kept within those limits. I am somewhat uncertain whether so simple a formula would be sufficient, but time does not permit me to go into this further.

One condition of a successful policy is, of course, that we have more statistics about commodity stocks in all countries, or most countries. There is no special reason why the raw material stocks in the world should vary to a very large extent with the business cycle. So if the producers and middlemen insist on reducing or increasing their stocks with the business cycle, there is need for an international agency that will do the reverse. The stocks will obviously have to vary with the vagaries of output, e.g. under the influence of climate, but that is another matter, although that is one reason why the whole thing would be extremely difficult to carry out. I think it would be worth trying, nevertheless.

The Business Cycle Theory

I shall only raise one more question, one which has been bothering me a great deal in the last few years. I have asked myself what has become of business cycle theory when we discuss stabilization? Was business cycle theory just a superfluous pastime? When we analyze stabilization, we seem just to forget about it. One can perhaps divide business cycle theory into two parts: The theory of the processes of expansion and contraction, and the theory of the "inevitable turns"—the inevitable maxima and minima in the income and production curve.

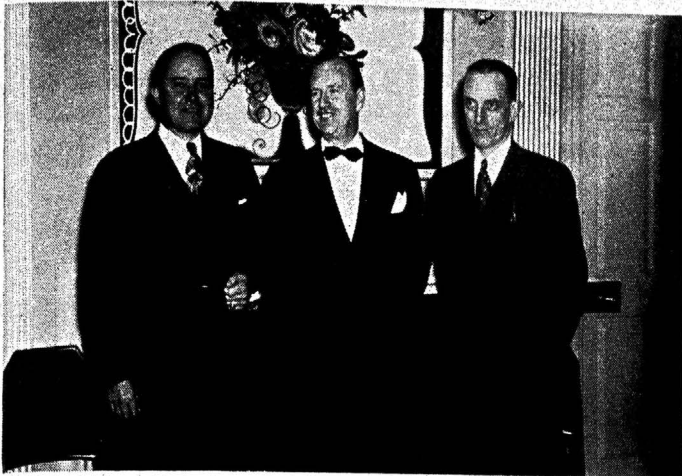
The theory of expansion and contraction, is, I think, used in laying a foundation for any kind of stabilization policy, but what about the theory of the inevitable turns? If we do adapt investment in private industry or public enterprise on the basis of long-run expectations, and if we do adapt it in "non-economical" enterprises, e.g. ordinary public works, in such a way, that the principle of acceleration does not lead to large fluctuations, then it need not differ from the teachings of business cycle theory to say that the points at which the curves turn in a new direction may be controlled. One can, however, draw one conclusion from what business cycle theory has taught us. It will not be sufficient to keep relatively stable wage conditions, relatively stable levels and to have a great adaptability of the system as such. There is an inherent instability in the system, and therefore a deliberate policy on the part of governments, municipalities, business organizations, and trade unions may be necessary to offset these inevitable tendencies of the cyclical type.

Special attention has, of course, to be given to the question of how to avoid over-full employment or an inflationary boom, but I shall not go into that, now. I dealt with a part of it in my first lecture.

International Cooperation

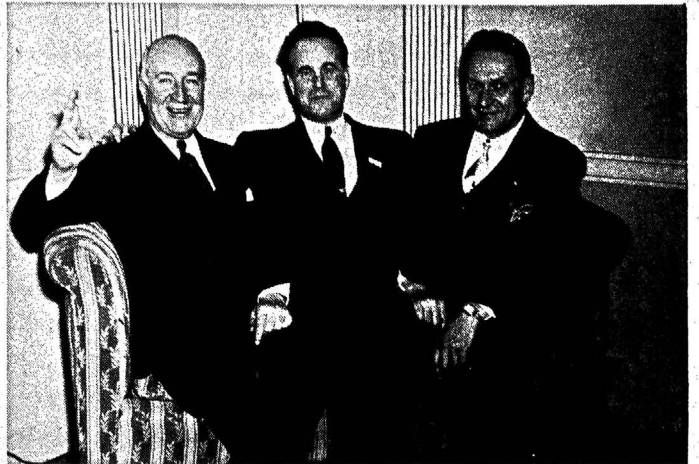
Finally, it seems that we need more knowledge, more and more accurate data that are made available early enough. We also need international and of course also national machinery to handle these problems. It is important that some of the best people should be delegated for this work of international collaboration. But I do not think that the policy will succeed unless we can educate public opinion, so that it will be possible for governments to back up the recommendations that are made by experts. The Economic Report of the President last month in this country, and the British White Paper of 1935 on employment policy are excellent specimens of the kind of information that I think is of the greatest importance for this latter purpose. The numerous penetrating studies based on factual material that appear in this country provide a basis both for analysis and for such a policy of education and information, which is as necessary as any other part of an anti-depression policy if we are to succeed in maintaining a reasonably stable employment—and by a reasonably stable employment, I mean one in which we can avoid serious depressions of the 1930-to-34 type, and have to suffer no worse depressions than, for instance, that of 1938. If this could be done, it would indeed be no mean achievement.

New York Security Dealers Association



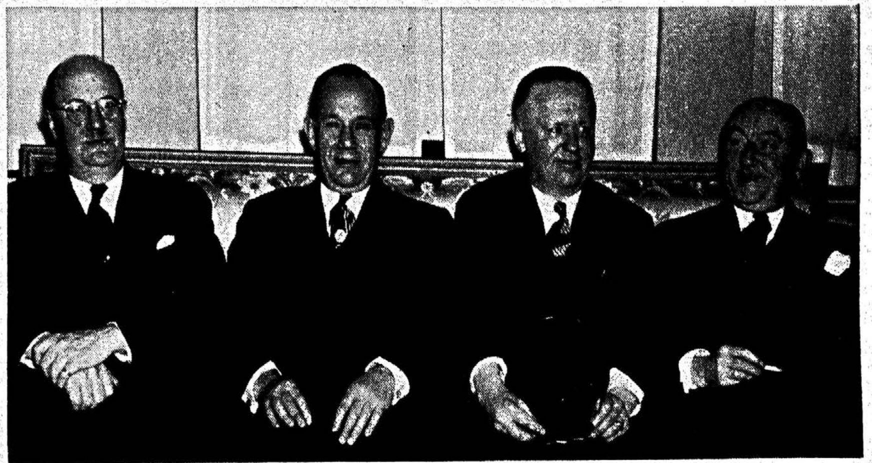
R. H. Johnson, *R. H. Johnson & Co.;* Frank Dunne, *Dunne & Co.;* Arthur Kaye, *Monroe, Byrne & Kaye.*

Emil Pattberg, *First Boston Corp.;* Max Pollock, *William E. Pollock & Co.*



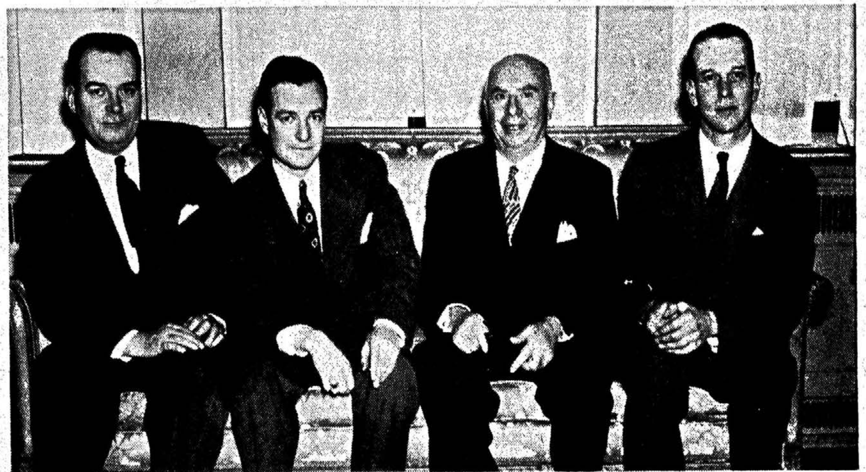
Tracy Engle, *Buckley Bros.;* Bert Seligman, *Ward & Co.;* S. A. Sandeen, *S. A. Sandeen & Co.*, Rockford, Ill.

David J. Garvin, *C. J. Devine & Co.*, G. C. Bradley, *First Boston Corp.*, Arthur Schwartz, *Bache & Co.*, P. Alliger, *Public National Bank & Trust Co.*, all of New York.



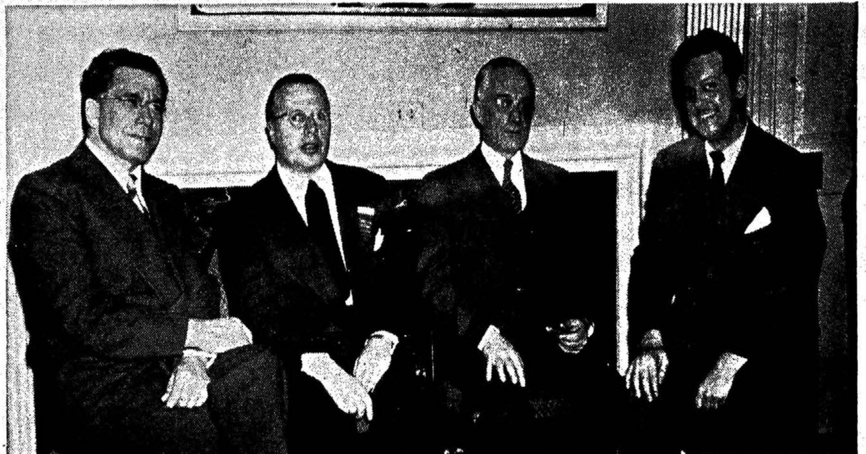
John Hansen, *Hallgarten & Co.*, J. Bloom, *Public National Bank & Trust Co.*, Al Schmitt, *Hay, Fales & Co.*, and Geo. Howatt, *Public National Bank & Trust Co.*, all of New York.

Bob Strauss, *Strauss Bros.*, Chicago; Julian White, *White & Co.*, St. Louis; Frank Ginberg, *Strauss Bros.*, New York; Abe Strauss, *Strauss Bros.*, New York.



Albert Milloy, *First Boston Corp.;* Walter Nester, *First Boston Corp.;* M. Sprayregen, *Eisele & King, Libaire, Stout & Co.;* E. H. Ladd, *First Boston Corp.*

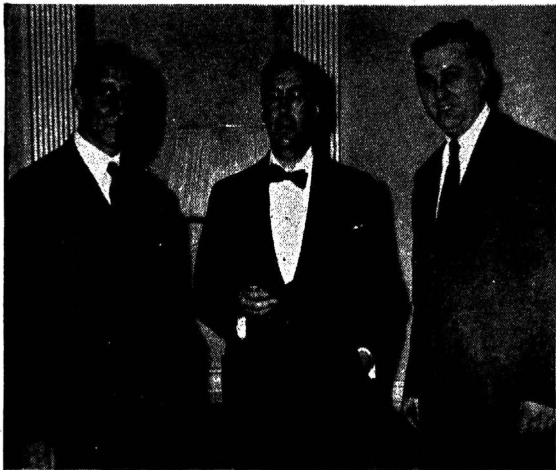
Joseph Connolly, *Kaye, Scholle, Fierman & Hays;* Charles J. Jordan, *New York Regional office, SEC*, Herbert F. Boynton, *H. F. Boynton & Co.*, chairman of NASD; Geo. S. Earlin, Attorney in charge of Securities Interpretations, *New York Regional office, SEC.*



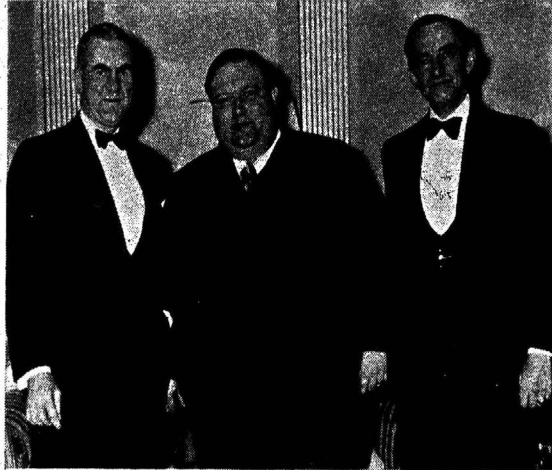
D. J. St. Germain, *D. J. St. Germain & Co.;* Springfield, Mass.; Geo. Geyer, *Geyer & Co.;* Wilfred N. Day, *Chas. A. Day & Co.*, Boston; Jack Germain, *J. Arthur Warner & Co.*

igitized for FRASER
tp://fraser.stlouisfed.org/

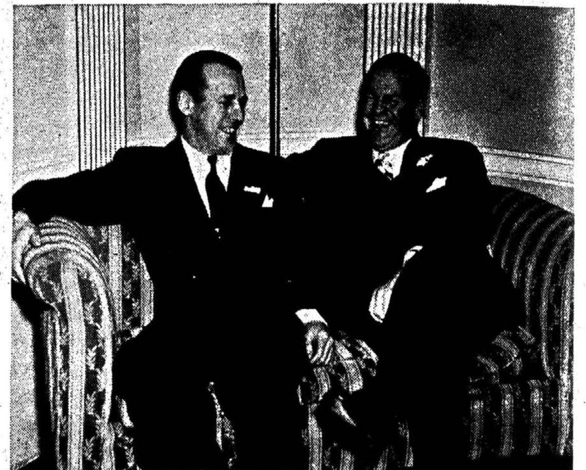
Twenty-first Annual Dinner



Francis Truslow, President of *New York Curb Exchange;* Wallace Fulton, *NASD;* Wm. D. Moran, *SEC,* New York City.



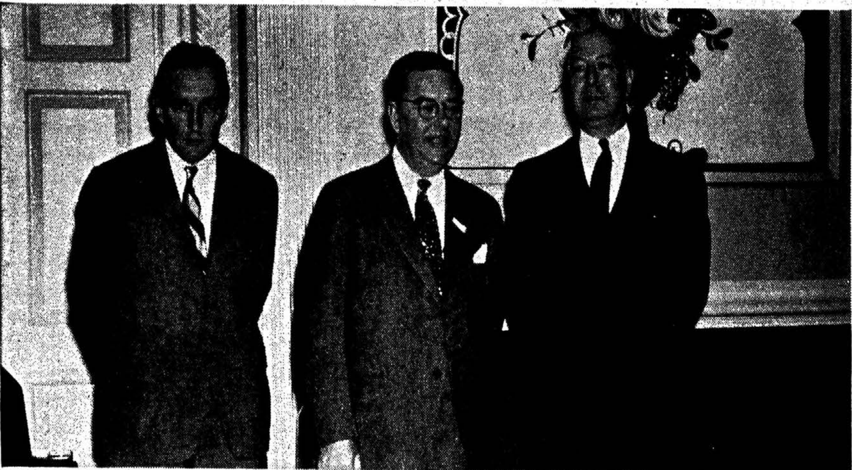
Irving D. Fish, *Smith Barney & Co.;* Richard McEntire, *SEC Commissioner;* R. Parker Kuhn, *First Boston Corp.*



Frank H. Koller, Jr., *F. H. Koller & Co.;* Herbert Blizzard, *Hess, Blizzard & Co.,* Philadelphia

John O'Kane, Jr., *John J. O Kane, Jr. & Co.;* Edward C. Werle, Chairman of the Board of Governors of *New York Curb Exchange;* Herman A. Feldmann, *Geyer & Co.;* Edwin L. Beck, *Financial Chronicle.*

Pete Byrne, *SEC;* Edward Gray, *New York Stock Exchange;* Clarence E. Unterberg, *C. E. Unterberg & Co.;* Ephraim L. Brickhouse, *Guaranty Trust Co.*



Fred Gearhart, *Gearhart & Co.;* Chet de Willers, *C. E. de Willers & Co.;* Harry R. Amott, *Amott, Baker & Co., Inc.*

Lou Walker, *National Quotation Bureau;* Charles Jensen, *Bank of the Manhattan Co.;* H. D. Knox, *H. D. Knox & Co.;* David Morris, *David Morris & Co.*

John D. Freeman, *R. H. Johnson & Co.,* Boston; Edward B. Breen, *R. H. Johnson & Co.,* New York; Wesley M. Bishop, *R. H. Johnson & Co.,* Syracuse; T. Reid Rankin, *R. H. Johnson & Co.,* New York City.

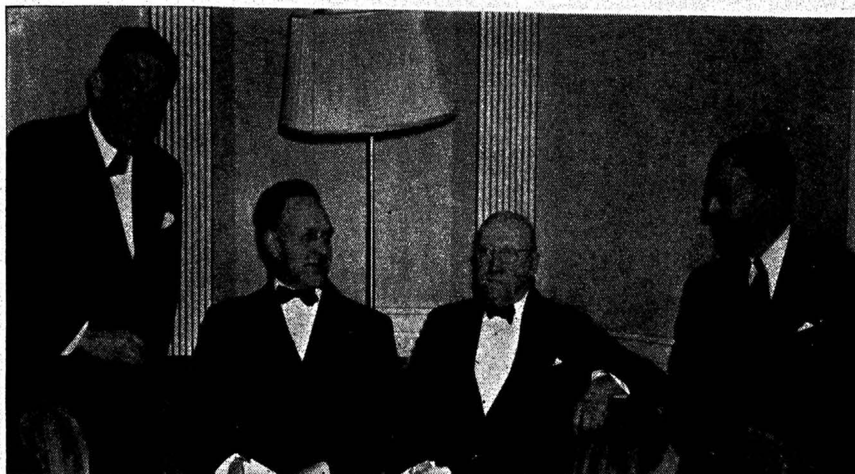
Mike Heaney, *Jos. McManus & Co.;* Frank Scheffey, Executive Secretary, NASD; Charles H. Dowd, *Clarence Hodson & Co.;* Frank C. Trubee, *Trubee, Collins & Co.,* Buffalo, N. Y.

March 7, 1947 at Waldorf-Astoria

Sam Magid, *Hill, Thompson & Co.;* J. F. Reilly, *J. F. Reilly & Co.;* David Magid, *Hill, Thompson & Co.*

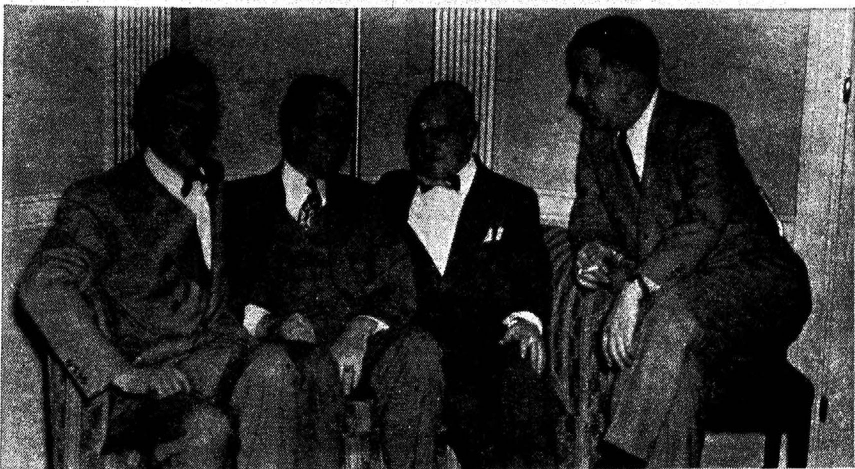
Mrs. Marguerite I. O'Keefe, Executive Secretary, *New York Security Dealers Ass'n.*

Stanley Graff, *Foster & Adams;* C. E. Stoltz, *C E. Stoltz & Co.;* Dick Abbe, *Van Tuyl & Abbe.*



E. Allen MacDuffie, *McLanahan, Merritt & Ingraham;* Col. Troster, *Troster, Currie & Summers;* Wm. C. Orton, *Gude, Winmill & Co.;* M. R. Cary, guest.

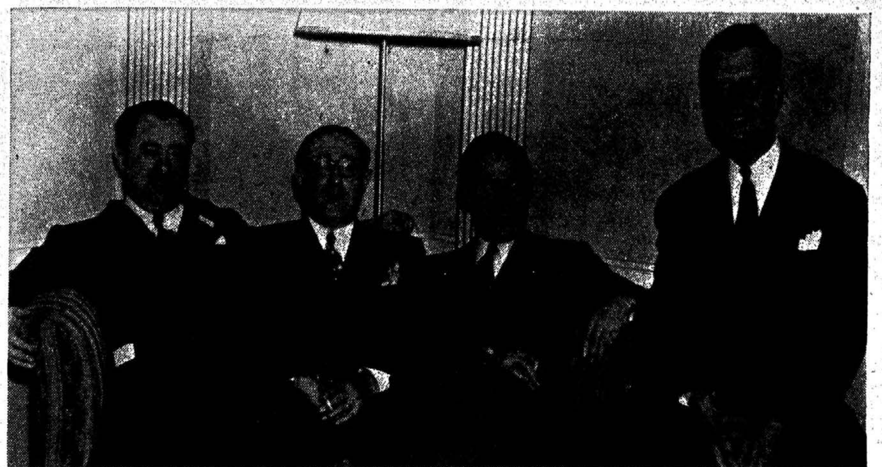
Bill Kumm, *Dunne & Co.;* Harry Fahrig, Jr., *Reynolds & Co.*, Philadelphia; Ted Plumridge, *J. Arthur Warner & Co.;* Ray Kenny, *C. E. de Willers & Co.*



Mort A. Cayne, *Cayne, Robbins & Co.*, Cleveland; Jim Treanor, *SEC;* Jeff Horsfield, *Wm. J. Mericka & Co.*, New York; Charles Zingraff, *Laurence M. Marks & Co.*

Stanley Roggenburg, *Roggenburg & Co.;* C. D. Runyan, *Trust Co. of North America;* Alfred L. Powell, *C. E. de Willers & Co.;* Duke Hunter, *Hunter & Co.*

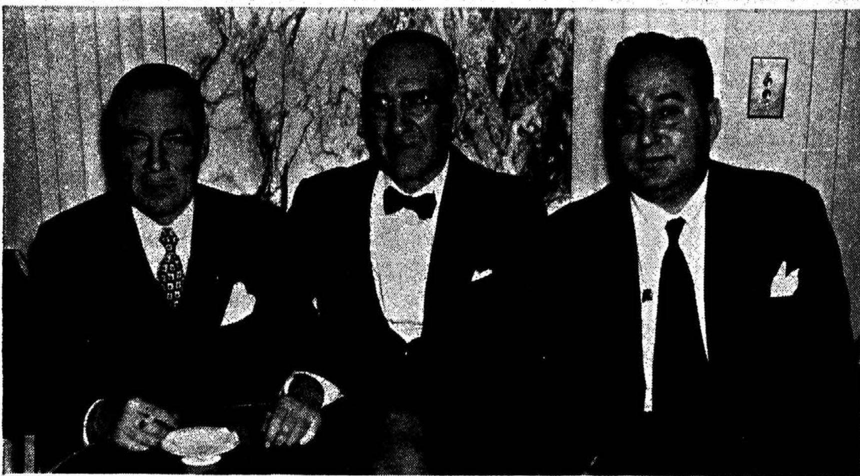
Howard Allen, *Albert Frank-Guenther Law, Inc.;* Gentry Daggy, *H. M. Byllesby & Co.*, Philadelphia; Amos Treat, *Amos Treat & Co.;* M. W. Janis, *M. W. Janis Co.*



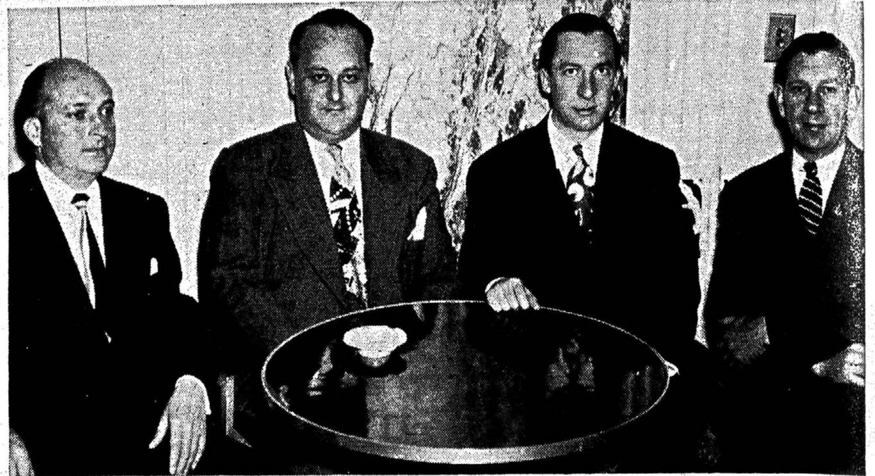
Melville S. Wien, *M. S. Wien & Co.;* Samuel King, *King & King Securities Corp.;* Dick Montanye, *Laurence M. Marks & Co.;* Graham Walker, *National Quotation Bureau.*

gitized for FRASER
tp://fraser.stlouisfed.org/

Record Attendance at Most Successful Gathering

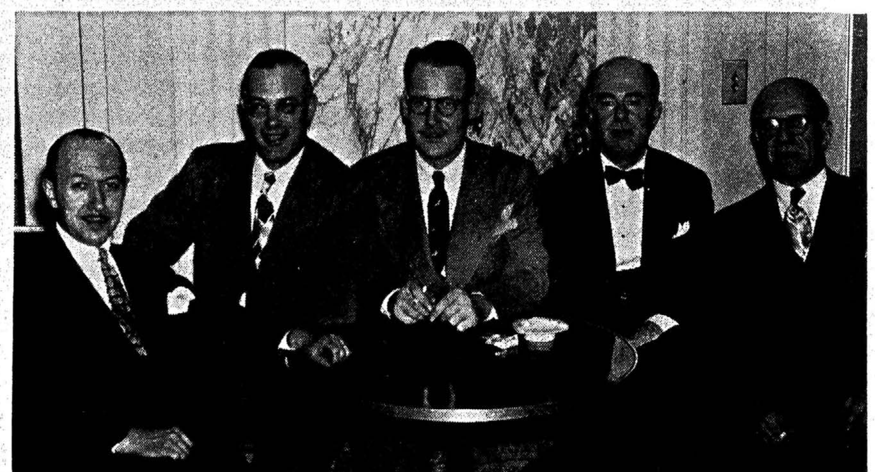


Ken Taylor, *Journal of Commerce;* Ben E. Lindsly, Chief of Oil & Gas Unit, *SEC* Philadelphia; A. M. Metz, guest.



Henry B. Spring, *Greene & Co.;* Julius Golden, *Greene & Co.;* W. F. Thompson, *Greene & Co.;* Bernard Wolff, *R. F. Lafferty & Co.*

Max A. Mader, *D. F. Bernheimer & Co.;* Harry D. Casper, *D. F. Bernheimer & Co.;* John Reilly, *Mallory, Adee & Co.*



Maurice Hart, *New York Hanseatic Corp.;* George Hunt, *Starkweather & Co.;* Soren Nielsen, *Newburger, Loeb & Co.;* Samuel A. Mehlman, guest; Otto H. Steindecker, *New York Hanseatic Corp.*

Irv Stein, *Goulet & Stein;* Joe De Lorme, *B. G. Cantor & Co.;* Lester Gannon, *W. T. Bonn & Co.;* B. G. Cantor, *B. G. Cantor & Co.;* Irving Ehrlich, *B. G. Cantor & Co.;* Jack J. Bernstein, *B. G. Cantor & Co.*

Leo J. Goldwater, *Goldwater & Frank;* Lee Sherman, *L. D. Sherman & Co.;* J. Arthur Warner, *J. Arthur Warner & Co.;* James H. Longshore, *Continental Carna-var Corp.*, Brazil, Ind.

J. Arthur Warner, *Kearns & Williams;* Charles M. Kearns, *Kearns & Williams;* Harry MacCallum, Jr., *Peabody, Tyner & Co.*, Yonkers, N. Y.; Ralph Tyner, *Peabody, Tyner & Co.*, Mt. Vernon, N. Y.; Richard Shipman, *Blair F. Claybaugh & Co.*, New York.

Edward Russell, *Seligman, Lubetkin & Co.;* Lloyd E. Lubetkin, *Seligman, Lubetkin & Co.;* Harry L. Arnold, *Paine, Webber, Jackson & Curtis;* Don Hungerford, *Robert C. Buell & Co.*, Hartford; Albert E. Gorman, *Walter Stokes & Co.*, Philadelphia.

Postwar Prospects in Latin American Market

(Continued from page 1376)

the price level for the postwar dollar volume of United States exports to Latin America inasmuch as the price decrease of goods traded will be compensated, at the least, by a greater physical level of importation by Latin America than took place in wartime. During the war the dollar level of total Latin American imports remained very close to the immediately preceding level of roughly $1.4 billion because stringencies in goods and shipping forced a physical shrinkage in imports.

Imports from Eastern Hemishpere to Be Revised

That countries outside the Western Hemisphere must regain something of their prewar sales to Latin America is inevitable, for there are products required by Latin America which the United States is not in a position to supply, being a non-producer or not producing sufficient for export purposes. This is one factor operating against the likehood that the United States will retain its wartime percentage importance as a supplier of Latin American imports. On the other hand, other nations cannot at will, even though their physical production capacity and internal needs permit, pour into Latin America a prewar volume of those goods which the United States also is in a position to supply.

Assuming for the moment that European suppliers can regain their former percentage shares of trade with Latin America, this does not necessarily signify that United States exports to Latin America, measured in physical terms, will drop to their prewar level. What will be of moment is the total of Latin American imports. And of course this total is governed by a complex of factors, which are impossible to rank in order of importance.

Dependence on Exports

One determinant is the general world level of economic activity. Latin America is more than usually dependent upon exports as means of obtaining necessary imports, lacking the source of foreign exchange that other areas possess in the form of equity and portfolio investments and reserves of precious metal. Furthermore, Latin America is constantly pressed to meet payments on its borrowings and to return dividends to investors, so that a sizable portion of the foreign exchange acquired through the export of merchandise or precious metals is tapped off in this wise. Thus the dependence upon a substantial volume of exports in order to obtain required imports becomes all the greater. Accordingly, world economic conditions are to be taken as a gauge of demand for Latin American products and therefore of Latin American ability to import.

We have mentioned that Latin America finds a current source of foreign exchange through the sale of precious metals, namely gold and silver.[2] An increase in domestic production of these metals would be a significant factor in Latin America's general ability to import, for gold and silver can under most circumstances be readily translated into purchasing power, and at more or less stable rates over moderate periods of time. It is possible that progress in mining methods, discoveries of new deposits, improved access to known deposits, and the importation of capital will bring about greater production. While the exchange ratio between gold and leading world currencies (assuming gold continues to be a common denominator among currencies) is a determining factor, past experience indicates that forced currency appreciation is considerably less likely than depreciation, which of course would increase the buying power of gold and the amount mined.

[2] During 1936-38 the Latin republics' gold and silver exports respectively averaged $83.5 million and $37.2 million, a total value equivalent to about 7% of their merchandise export average.

Unequal Distribution of Gold and Silver Production

The importance of gold and silver production as a source of foreign exchange to Latin America is tempered by the unequal manner in which production is distributed. Mexico far outstrips all others, having in 1939 accounted for over 30% of Latin American gold production and nearly 70% of silver production. A country such as Argentina, with 13.5 million population, prduces less gold and silver than Honduras with 1.1 million. Brazil, with a population thrice that of Argentina, ranks but forth in gold production and last among silver producers of significance. While Bolivia and Venezuela have about equal populations (3.5 million), the gold production of the latter is nineteen times that of the former.

Secular Economic Changes

Latin America's total import demand will reflect secular economic changes which it experiences. It may be taken that industrialization, which has been progressing at varying rates of speed in the Latin republics, signifies larger national incomes and greater general demand for foreign goods, even though certain foreign goods may be displaced by the process of industrialization. Specific goods which are displaced will be more than replaced by greater demands for capital machinery, semi-finished goods, and consumer goods in general—some of which were already imported and others not formerly imported.

Enlarged Latin American demand for foreign goods may also result from a lowering of its trade barriers. Such a course need not necessarily depend upon like action on a worldwide scale. In great part Latin American tariff barriers have been imposed not so much for protective purposes as to raise revenue through customs duties. It is to be expected that vitalization of domestic economies and improved organizations for levying taxes will reduce the revenue motive as an obstacle to elimination of Latin American tariff barriers. Furthermore, the increased value of trade coming in at lower tariff rates would produce a customs revenue approaching that formerly enjoyed.

Imports from U. S.

Given the schedule of total Latin American demand for imports, the portion supplied by the United States will depend upon several factors: (1) United States skill in merchandising and promotion; (2) satisfaction of Latin American importers and dealers with their wartime experience in purchasing United States goods; (3) tactics employed by other nations to reacquire their prewar market positions; (4) Latin American tariff reductions, exchange practices, and quota increases particularly favorable to the United States; (5) commercial cooperation between the United States and Latin America; (6) political and military considerations.

Merchandising and Promotion

Adequate merchandising and promotion techniques have in the past proved able to influence consumer tastes and the choices of wholesalers, middlemen, and retailers. On the reverse side of the coin and equally important are measures to apprise producers of the wants of the market and to help them cater adequately to these wants.

To keep wartime gains in the Latin American market, United States concerns have increasingly taken to advertising in Latin American media of communication. In late 1943 an American businessman reported that "Many leading American firms are taking advantage of this opportunity to entrench themselves firmly in the minds of the people of Latin America by institutional advertising."[3]

Studious and persevering merchandising attempts will help promote commerce between the United States and Latin America. Not only aggressive salesmanship is necessary but also consideration of Latin consuming habits and ways of commerce, as well as price lines that are most apt to go over. It is often better to pay attention to the special desires of various markets than to attempt to froce fixed types of merchandise upon them. At the same time there is usually room for reeducating the consumer to goods that are pleasingly different, that offer a specific advantage, or that represent an all-around improvement.

Wartime Experience With United States Goods

The opportunity which the war afforded United States exporters of engaging a major portion of the Latin American market has not been entirely to the advantage of these exporters. Why so may be examined with view to (1) the reaction of Latin Americans to the failure of United States exporters to meet all demands; (2) their reaction to the tactics and policies of United States traders and manufacturers.

1. World War II placed the United States in a predicament because on the one hand its vital products were required for war needs and on the other hand it was pledged to fullest cooperation with the Latin Americas in meeting their needs. The Latin republics depended upon the United States for machinery, prefabricated materials, and manufactured goods that prior to the war had been supplied in considerable quantity by Europe. But as early as the first part of 1941 the United States was already hard put to allocate articles required by the nations to the south in order to help keep their economies going. In addition, shipping space was limited by war priorities, further reducing exports to Latin America. A host of economic difficulties, not least among them unemployment, was created in Latin America by inability to obtain required materials, with vigorous resentment directed in large part at the United States the result. Resentment was aggravated by the fact that even in the case of Latin development projects connected with the war the United States had to refuse export licenses for machinery, tools, and materials.

The shortage of consumer goods helped bring about varying but always severe degrees of inflation in all parts of Latin America, causing some of the most violent expressions of resentment against the United States. Inflation took place partly because purchasing power was increased by military and strategic projects that developed new industries and expanded old ones. Blame was placed on the United States for supplying neither consumer nor producer goods. Thus in late 1941 the failure of the United States to send building materials required for more than 500 individual construction projects in Venezuela brought on a violent Venezuelan press campaign against the defense and economic policies of the United States.

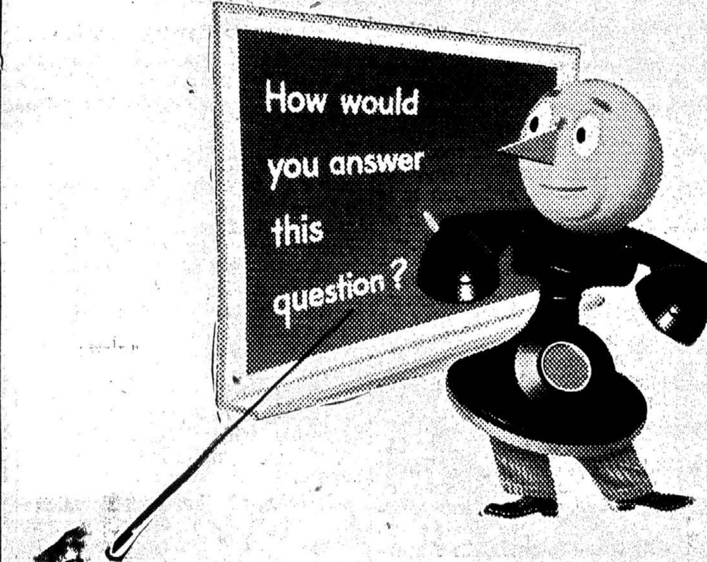
In addition to the insufficiency of good for export and the lack of shipping to carry them, a number of discouragements to exporting confronted United States businessmen. Foremost were the price ceilings set by the Office of Price Administration. Trade groups protested that exporters were unable to carry on business if they were not permitted to make up the extra expense of exporting during wartime. In early 1942 exporters were refusing to fill Latin American orders, particularly for iron and steel, despite the grant of required priorities for sale and shipping; exporters pointed out that the smaller mills, with higher production costs than the large ones, were no longer able under the price ceilings to give exporters a commission in order to obtain the export business. Another serious obstacle to exporting was red tape. The labor, delays, and irritation encountered in the effort to obtain export licenses proved a burden and an expense.

2. War exigencies brought together American businessmen who had never before found occasion to deal with one another. Not always were these new contacts completely satisfactory. United States exporters or manufacturers were often reluctant to grant requisite credits to Latin importers, who on the whole were wont to expect liberal credit facilities such as had previously been granted them by European suppliers. Furthermore, many United States firms were reluctant to continue former terms of credit to old customers. Despite the rapidly improving credit aspects of the Latin American market after 1939, credit terms granted by United States exporters generally grew more severe following the start of the war. Only after 1942 was there a definite liberalization of terms.

Ravages to commercial relations and goodwill did not, however, go wholly unchecked. Through constant advertising in Latin American publications United States exporters sought to explain the reasons for supply shortages, citing the prior needs of the war effort. A substantial effort was made by the United States government to lessen the hardships imposed upon Latin American countries. In late 1941 a program was established for allocating materials to Latin America under a system providing for the issuance of "certificates of necessity." The Foreign Economic Administration, through its Pan American Branch of the Bureau of Areas, recommended and implemented measures for exportation of civilian supplies. The United States Maritime Commission took steps to provide shipping space formerly supplied by European merchant marine. The Office of the Coordinator of Inter-American Affairs in July 1942 established an Inter-American Navigation Corporation to acquire and build

(Continued on page 1402)

[3] "Improved Shipping Spurs Latin Trade," "The New York Times," Aug. 5, 1943, p. 22.



How much does the telephone company earn?

We asked a number of people this question . . . *"How much would you say the telephone company makes (after all expenses and taxes) on the money invested in the business?"*

Twelve per cent said "6% or less."
Eleven per cent said "7% to 10%."
Twelve per cent said "15%, 20%, or 25%."
Eight per cent said "30% or more."
Fifty-seven per cent had no opinion.

The actual figure is far less than many people think. Even with telephone calls at a record peak, Bell System earnings on the money invested in the business have averaged only a shade over 5½% for the last five years—including the war years. And that's not enough to insure good telephone service.

We thought you might like to know in case you have been wondering about telephone earnings.

BELL TELEPHONE SYSTEM

gitized for FRASER
tp://fraser.stlouisfed.org/

Postwar Prospects in Latin American Market

(Continued from page 1401)

sailing vessels for inter-American trade.

In September 1942 the United States inaugurated a program to send productive machinery to Latin American nations in lieu of finished products. The problem of price ceilings that discouraged exporters was met at least in part by OPA action which after May 1942 allowed exporters to add an export premium to their prices. The reluctance of United States exporters to extend required credits was offset to a goodly extent by the Export-Import Bank of Washington, which supplied credits to United States manufacturers and exporters, enabling them thereby to meet the credit demands of Latin purchasers. Efforts to simplify licensing procedure, though not always successful, were made by the Office of Export Control. Early in 1944 the Foreign Economic Administration established a Procedures Advisory Committee, consisting of leading exporters, to advise FEA of practices and procedures calculated to lighten the load of exporters under export control.

Positive Results

While various aspects of wartime experience, as we have seen, have been more or less negative from the point of view of augmenting future United States-Latin American commerce, certain positive results have been attained, chiefly owing to the volume of trade which took place. The war has caused United States goods to be forcibly introduced to many Latin American importers and consumers, although it is true that the required economy of effort has caused trade with the Latin countries nearest the United States to be emphasized. Reaction to the quality, style, packaging, and other characteristics of United States goods has been very favorable. Thus, "Nicaraguans speak favorably of the merchandise from the United States because of price uniformity, excellent quality, and attractive packing for display."[4] These factors promise some degree of net gain from the wartime vantage that the United States enjoyed in trade with Latin America.

Recovery of Prewar Markets by Other Nations

The principal prewar competitors of the United States in the Latin American market were Germany and the United Kingdom. The former supplied 15% of Latin American imports in 1937, 17% in 1938, and 13% in 1939; the latter supplied 13% in 1937, 12% in 1938, and 10% in 1939.

The more it develops that Germany will not be deindustrialized to an extreme degree, the greater likelihood is there that Germany can again loom strong among industrial nations competing for the markets of a basically agricultural Latin America. At the present writing it appears that, except perhaps for the Rhineland and the Ruhr, the German economy will ultimately be conducted once more as a unit rather than as a partitioned nation; and as Germany regains autonomy in addition to unity a growing effort may be expected from her to reacquire former export markets. It is not unreasonable to predict that as the victor nations restore their own economies the pressure on Germany for reparations will increasingly be for compensation in money rather than in kind. This would augment the need for Germany to reestablish her old position in the world markets, not least of all in Latin America.

To what extent may a Germany that is once again free renew its former exploitative trading methods? The answer depends upon (1) general world economic conditions, (2) the degree to which Germany is supervised by the victor powers. In circumstances where world trade is depressed, Germany might again be able to make the most of such exploitative measures as she employed in her prewar trade relations with Latin America—providing she is not prevented this time by the victor nations. To a large extent German trade in the 30s was fashioned to meet its needs for war materials, as well as to find outlets for German-made goods. By buying from Latin America surpluses which could not be disposed of elsewhere at favorable terms (sometimes these surpluses were resold by Germany at a loss in order to gain a desired foreign currency) and by blocking the resulting mark credits of Latin American republics, Germany was able to force Latin America to purchase German manufactures, often at prices in excess of those at which Latin America could have obtained the same goods elsewhere.

England's Export Efforts

England will not only be driven to win back its previous role as an exporter—both of its own goods and those in entrepot trade—but also to augment its former position in view of the decreased inflow of foreign exchange owing to the reduction in British foreign investment forced by the war. While immediately England is faced with the task of importing goods to revitalize her economy, in the near future England will be looking to its export markets as the means of enabling that nation in live on its accustomed plane. And it is in great part to agricultural nations such as the Latin Americas that England as an industrial nation must seek to export.

Certain of the considerations that pertain to Germany and England may be said to apply also to other nations. Thus France and Italy, minor ranking suppliers of Latin American imports, will be keen after Latin American markets when their economies regain a semblance of orderly functioning. In turn, restoration of their economies will for some nations be contingent upon finding markets for their exports.

The ability of other nations to win portions of the Latin American market will to an extent be governed by the course of international industrial cartels, against which the United States has thus far declared firm official opposition. In those instances where the United States is not the leading producer of a given product, or a sufficiently important producer, international cartels, if enabled to exist, might be able to shut out the United States altogether from potential markets by obtaining exclusive selling privileges therein. The power which belongs to a well-knit cartel is without doubt greater than that of its separate parts, permitting it to achieve market inroads that the same number of concerns operating individually would not be likely to obtain. Should there develop a ubiquitous burgeoning of cartels and should the United States continue to dedicate itself against them heedless of consequences, the disadvantage to the United States could be severe. The ability of Webb-Pomerene Associations to combat foreign cartels would be measured by the relative importance of the United States as a supplier of the goods in question. If the potential foreign demand for the given product could well be met without United States production, and if United States producers as a body were not strong enough to engage a cartel in competitive battle based upon price policies and quite possibly political maneuvers, the Webb - Pomerene Associations would be of no help.

Latin American Reduction of Trade Barriers

The ability of the United States to retain some portion of its wartime percentage increase as a supplier of Latin imports will depend in part upon special favors accorded the United States by Latin America with respect to tariffs, exchange controls, and quotas.

In an attempt to insure good treatment for its own exports, the United States in recent years, particularly since inception of the reciprocal trade agreements program, has tended to favor countries of the Western Hemisphere. The reciprocal trade agreements program of the United States has been carried out preponderantly vis-s-vis Latin America. The program was in part devised to meet the competitive threat of direct action by other nations vis-a-vis the Latin Americas, for example Germany's barter arrangements with them. In the period ahead, the United States can more effectively than ever augment its trade program if Congress sanctions a 50% duty reduction on goods which have already once undergone a reduction.

It has been suggested by various persons that the Americas of the north and south should fabricate an excusive preferential structure based upon multilateral agreements. But such economic arrangements tend to foment political tensions between the preferential system and other economic and political groupings. The reciprocal trade agreement[5] presents a compromise device, enabling two nations to grant each other trade preferences subject to the condition that others also may enjoy these preferences if they have previously contracted with either of the two nations for mutual extension of preferences granted third parties.

Logically, then, reciprocal trade agreements do not guarantee permanent advantages to the parties involved. Obviously, if every country had a most-favored-nation agreement with every other, no one nation would have an export advantage over any other with respect to tariff rates. What reciprocal trade agreements do offer is a preliminary advantage over nations who have not yet become party to a most-favored-nation contract. Yet the country that initially acquires a concession may have a residual advantage inasmuch as its head start may enable it to get a lasting grip on a market.

Exchange Controls Relaxed

During the war years Latin America relaxed the strict exchange controls that were built up during the war in most of the republics. However, the machinery of control remains. Exchange control, by way of brief description, has consisted of fixing official rates (or a series of rates), restriction of purposes for which exchange could be used, and compulsory sales of foreign exchange acquired by citizens—a portion or all of this exchange—to the proper government authority. Licenses for exchange purchases were almost a universal manifestation in Latin America.

If conditions in any way resembling those of the prewar period should reappear, a retreat to full use of exchange control machinery is very possible. And under such circumstances political relationships can make a major difference in the ability of nations to export to Latin America.[6] The future course of exchange control depends upon the efficacy of the International Monetary Fund. It is presumed that with the Fund functioning properly exchange control would be reduced to a minimum in the adherent countries. The Fund Agreement states that members are to avoid exchange control except to prevent large or sustained outflows of capital. However, it also provides that member countries during the transitional period following the war may continue exchange restrictions. A transitional period of undue length might be the downfall of the Fund.

Commercial Cooperation

Inter-governmental cooperation can do a good deal to implement commerce among the Americas. We refer to technical measures that expedite the flow of commerce by guiding it in an orderly, efficient manner; to conferences and organizations that aim at improved commercial intercourse; and to commercial arbitration, which fills an important role in preserving commercial relations by maintaining equity and goodwill in these relations.

A number of technical considerations call for cooperative action in facilitating commerce. These include the establishment of uniform and simplified customs procedures and reduction of attendant charges, fees, dues, fines; publicity of customs regulations; common nomenclature for goods in trade; standardization of industrial products and their specifications; uniformity and simplicity in bills of exchange, drafts, checks; equitable treatment for countries whose exports or imports must pass through intermediate countries; protection of trade marks; formulation of standards for packaging goods in trade; collection of commerce statistics; removal of rigors of export control; curbs on smuggling, etc.

At the major Pan American meetings, as well as at a series of technical gatherings, the American nations have taken resolutions, adopted principles, and started action toward solving technical problems attending commerce. Customs Congresses were held in 1903 and 1929; a Congress on Consular Procedure in 1927. Six Commercial Conferences, concerned with the whole scope of commercial problems, took place between 1911 and 1940. Two Congresses on Economic Expansion and Commercial Teaching, held in 1919 and 1922, emphasized the importance of instruction in commercial subjects, e.g. commercial geography, customshouse legislation, etc. More specialized in nature have been meetings such as the Standardization Conferences of 1924-25 and 1927, the Coffee Conferences of 1903, 1936, and 1937. In 1913 the Inter-American High Commission was created in part to harmonize the commercial legislation of the Americas. These activities of the past are substantially reflected in relationships of today. More, they speak for a continuing line of meetings devoted to expediting commerce among the Americas, essentially that between the United States vis-a-vis the Latin republics.

Commercial arbitration offers a method for settling differences between businessmen of different nations in a just, quick, inexpensive, amicable manner. Commercial arbitration is available to businessmen in the Western Hemisphere through three systems, an inter-American one, a United States-Canadian one, and a United States system. Tying the systems together is the Western Hemisphere Conference on Foreign Trade and Arbitration established in 1943. Created in 1933 pursuant to a resolution of the Seventh International Conference of American States, the inter-American system operates through the Inter - American Arbitration Commission. Chambers of Commerce in the several American republics relay disputes to the Commission. In 1943 the Commercial Associations Committee was formed to advance cooperation among the Chambers on behalf of such arbitration. A goodly number of differences between businessmen are shunted off before they reach the Commission through the intercession of the Inter-American Business Relations Committee, which often settles difficulties by supplying information or explanations to the parties concerned.

Political and Military Considerations

At a point in time not yet removed from the major impacts of World War II, it is quite obvious to say that the American nations feel strongly the pressure of political and military imperatives upon economic decisions. On the one hand, governments are very apt to make decisions favorable to the United States, such as those affecting trade barriers, in an atmosphere still heavy with fear of the consequences of war in Europe. On the other hand, private parties, both in the United States and Latin America, are also apt to make decisions favoring trade between these regions. Thus United States exporters are perhaps less wary of the future creditworthiness of Latin importers than of European ones. Conversely, Latin purchasers, remembering the disrupted flow of vital goods from Europe, are perhaps more eager to maintain trade connections with United States suppliers than with others.

It is inevitable that time will draw a haze over memories and that the political and military drives behind close economic ties will lose their urgency. Nonetheless, there is reason to believe that political and military considerations will cause United States-Latin American economic relations to maintain some degree closer than the working of economic forces alone would have them.

While by no means independent of political events outside the Hemisphere, political relations within the Hemisphere may be said to have a certain latitude apart from developments in the rest of the world. And the course of political relations in this Hemisphere—the degree of political amity retained or developed—can bear a profound influence upon United States - Latin American commerce. We have suggested that the fear imperatives issuing from the possibility of another World War will cause United States-Latin American economic relations to be closer than would otherwise happen. How much closer will depend in good part upon the closeness of political ties within the Hemisphere.

---

[4] "American Goods Gain in Nicaragua," "The New York Times," May 18, 1942, p. 23.

[5] In this discussion reciprocal trade agreements are considered as embodying the most-favored-nation clause in all cases, although this is not necessarily true in fact.

[6] Such practices as Argentina engaged in with respect to the United States would greatly deteriorate United States opportunities of exporting. To illustrate, it was charged in late 1941 that Argentina through manipulation of the peso—dollar rate was discouraging Argentine importers from purchasing quality leather at the same time that is was encouraging finished leather products to be exported to the United States by means of exchange rate maneuvers.

Inflations and Deflations of My Eighty Years

(Continued from page 1377)

in business we have no unit of value.

The dollar is not a unit of value but it masquerades as such. It is commonly regarded as a unit of value, but it varies, as I will show you tonight.

I was born in 1867, shortly after the Civil War greenback inflation. Between those Civil War days and 1897, through those thirty years, prices fell by two-thirds. That is, they fell to one-third of what they were at the peak in 1864, which was almost the same as 1867.

Between 1897 and 1920, prices rose almost continuously—a three-fold gain—and from 1920 to 1921, in a single year, prices fell 33%, the sharpest fall in one year that has ever been experienced.

From 1921 to 1929, prices were almost stable, and that is the only period in my life during which we had a stable unit of value—in fact the only period of eight years in the whole history of the United States. It was also the greatest prosperity period we ever had.

Between 1929 and 1933, as you will all remember, prices fell to half of what they had been.

Between 1933 and the present, prices have risen threefold, so that today prices are practically at the same height that they were, not only in 1920 but in 1867 when I was born.

I have expressed these inflations and deflations—because they were inflations and deflations—in terms of prices because that is the usual way in which business and economists are apt to think of inflations and deflations.

But an inflation or deflation is not simply a change in prices. It is a change in prices caused by monetary causes. When the price of sugar goes up or when the price of hogs goes up, it may or may not be due to anything else than the supply and demand of those particular commodities, but generally it is almost entirely due to the supply and demand of those particular commodities. Most people have the idea that the general price level, of which I have been speaking, is merely a sort of average of the effects of individual supply and demand of sugar and hogs and wheat, and all the other hundreds of commodities which go into an index number representing the price level.

But the price level and an individual price are two entirely distinct concepts and should be distinct as much as are the sea level and the height of a wave with reference to that sea level. To put it a different way, we have two elements in prices, the price of the individual commodities and the general average of all prices, or *scale* of prices.

I will use an analogy that would aply, for instance, to the portrait. If you should photograph that portrait and get a miniature of it, the nose would be shorter, but the lips would be shorter in proportion. The height of the head would be shorter, the breadth of the shoulders would be shorter — everything would be on a different *scale*. The heroic statue in the Lincoln memorial of Abraham Lincoln is a good statue, although everything is exaggerated in size. The *scale* of the statue is an entirely different thing from the length of the nose.

When you take account merely of the supply and demand of individual commodities, you do not reach the main factor in the case. You leave out the *supply of money* which, for the scale of prices or the price level, is the important factor, and the reason I do not like the method that I have just used, the common method of expressing inflation and deflation in terms of prices, is that it does not bring out this monetary factor, and that is what I want to emphasize tonight.

What is money? Money is any sort of property in common use as a means of payment for other sorts of property. There are two kinds of money in the United States. There is *pocketbook money*, which you can see and handle, and which you carry in your pocketbook or in the tills of your businesses, and then there is *checkbook* money which, in the United States, has become far more important than pocketbook money.

This checkbook money is a peculiar sort of money. It is supposed to represent pocketbook money that you have in the bank, since you have it on the stub of your checkbook. So, if you add together the balances on the stubs of all the checks in the United States and for 130 million people, and for thousands of businesses and corporations, the sum total is the total supply of money, the total quantity of money in circulation in the form of checkbook money.

It does not represent money, actual pocketbook money, tangible, visible pocketbook money in the bank, as you all think of it and as most people innocently think is true. They say, "I have got so much money in the bank." It is quite true, the bank has enough to satisfy any one person at any one time, but if everybody at once should demand their money, as in the case of a bank run, you would find that the bank could not satisfy everybody. What they would do would be to call in debts, call in money in other words, to pay it off, and there wouldn't be enough money in the country in order to do it.

What this money really is, this funny money, this checkbook money, is merely the *promise* of the bank to furnish money. It is not money in the tangible, visible sense.

Also, people have false ideas about inflation and deflation. As I have indicated, most people think of it as merely a matter of price rise, but if the monetary cause is not there it is not inflation or deflation.

There ought not to be any inflation or deflation, and if the quantity of money, the supply of money, kept pace — and I say money now, meaning both pocketbook money and checkbook money put together—kept pace with the business to be performed by it, you would scarcely ever have any change in the price level. You have inflation when money outpaces business, or transactions done with money. You have deflation when the opposite is true, when business grows faster than the money supply. So inflation means *too much money* and deflation means *too little money*. When there is too much money and you have inflation, it is signalized by a rise of the general level of prices, and this effect of inflation is felt on all prices equally, by the individual prices, by supply and demand which vary *with reference to that price scale or price level*.

Likewise, deflation is the opposite.

Let us go trough this same period of my eighty years in terms of what money will buy, to bring out the money factor clearly so you will never forget. I have here a chart which shows the history of the dollar of these eighty years.

First, we take the dollar that we now have, the one most familiar today. The dollar today is worth a certain collection of goods—I call it a market basket, although in the statistics of this chart the goods are priced by wholesale and not retail. One reason for this is that we do not have retail price indexes that go back to the Civil War, index numbers, that is, of the price scale or price level. On the other hand, for wholesale prices we have worked out index numbers that go back to the Revolution.

Through these eighty years, let us compare what a dollar was worth. This is value we are now talking about, purchasing power, buying power of the dollar, what is was worth compared with what it is worth today.

In Civil War time, that is when I was born, 1867, the dollar was worth a little bit more than now. It was worth one basket, the same market basket of representative goods, plus one-quarter of another basket.

In 1894 it was worth about what it is now, a trifle less. So roughly, the dollar is now worth what it was worth when I was born, and I am eighty years old today.

In 1897, just after the Bryan campaign of 1896, the dollar was worth three times as much, three market baskets.

In 1920, a dollar's worth was one market basket, the same as today. In 1929, the dollar's worth was one-and-a-half market baskets.

In 1933, the dollar's worth was three market baskets.

In 1947, the dollar is, by definition, worth one market basket.

That is our so-called unit of value. It is really a unit of weight. Most people imagine today that if we have a dollar of gold of constant weight and fineness, it is of some value and that it is fixed. In India, Mexico and China, and other silver-standard countries, when they were silver-standard countries, they used to think, "That is worth so much silver." But neither of the two is or ever was a real unit of value.

How can you do business without trouble with that sort of a dollar? The so-called unit of value changes. You are so careful that every unit on the other side of the counter, measuring the goods you buy, shall not vary, but the dollar is allowed to vary and has varied this much, so that it has been often, several times, increased in my own short lifetime—because 80 years in the life of this nation is a very short time—at least three-fold or more what it is worth today, over 200%. One dollar is worth today the least of all the dollars in my lifetime, except for the slightly cheaper dollar of 1864, the least since 1876.

So that is the record that chart gives you for the seven pivotal dates, the dates of turning from inflation to deflation, or from deflation to inflation or from either of these to or from stability, to include the short period of eight years, the only period of real stability. That is the record of our very unstable dollar. How can anyone regard this dancing dollar as a true unit of value?

You have probably often heard it said that the gold standard—that is, a dollar of constant weight and fineness of gold—has been the best standard of value the world has ever known. This is a myth; so far as I know there does not exist and never did exist, the slightest evidence that such a statement is true. It is true that gold is the best medium of exchange in foreign trade; and this use of gold at least should be retained.

But as a standard of value, the so-called gold-standard is a dismal failure. It does enable the dentist and the goldsmith to buy gold at a constant price. But few of us are dentists or goldsmiths. What we need is a standard in terms of the ordinary budget of food, clothing, housing, amusements and other things for which we all spend our dollars. Thomas Edison said: "Is it not ridiculous to have a commodity for a standard of value which has no other use except to gild picture frames and fill teeth?"

So far as I know I am the only one who ever compared gold as a *standard* of value with other individual commodities.

I find that several other commodities had a better record. The least unstable was Brussels carpets!

So if we wish to be so foolish as to have a single commodity for our standard instead of a market basket of really representative goods in general, I recommend Brussels carpets!

You would think that people would all know about the facts in the chart, act accordingly and mend the situation as they have for everything else. The last unit of commodities that was made constant was the bushel basket. Originally, every unit was rough. In Abraham Lincoln's day, the height of a horse was measured in so many hands—but whose hands? It makes a difference. It is said that the yard was originally the girth of the chieftain of a tribe. Suppose today we had the yard the girth of the President of the United States! Suppose you made some contract for so many yards of cloth in the Taft administration and fulfilled the contract in the administration of Wilson! You wouldn't stand for it. And yet you do stand for something that is a hundred times worse, these incessant changes in the dollar.

For to allow our dollar to double is like allowing it to be cut in two—to call half our present yard our yard, and, likewise, to halve our pound, our quart, our bushel, our kilowatt, etc., etc.—except that such a catastrophic change would not be as bad as doubling our dollar. One of these two reasons is that *time* contracts in wheat and other commodities are not as frequent, as big, or as important in any other way as are time contracts in dollars—in other words debts, including bonds. The other reason is that any change in our yardstick, pound, kilowatt, etc., would be *seen* while the change in the dollar is not recognized as such.

I venture to say that the facts shown in the chart are news to most of you. Yet this news was seldom, if ever, published at the time. I read recently that a reporter hearing the word "inflation" so often today (thanks to President Roosevelt) looked up the corresponding period following the first World War in order to see what discussions had taken place regarding post-war inflation. This reporter found no reference whatever except one, which was an article by me.

I was then a voice crying in the wilderness. It seems incredible that these facts, these most important facts in all my 80 years, were simply unrealized at the time. How is it possible that they should have escaped attention?

The fact that 99 people out of 100 never realize that the dollar is not a constant unit like every other now used in commerce, seems incredible. But it has been established as a fact. Even when its changes are being most painfully experienced, the public are unaware that there is any change. Roosevelt made us inflation conscious.

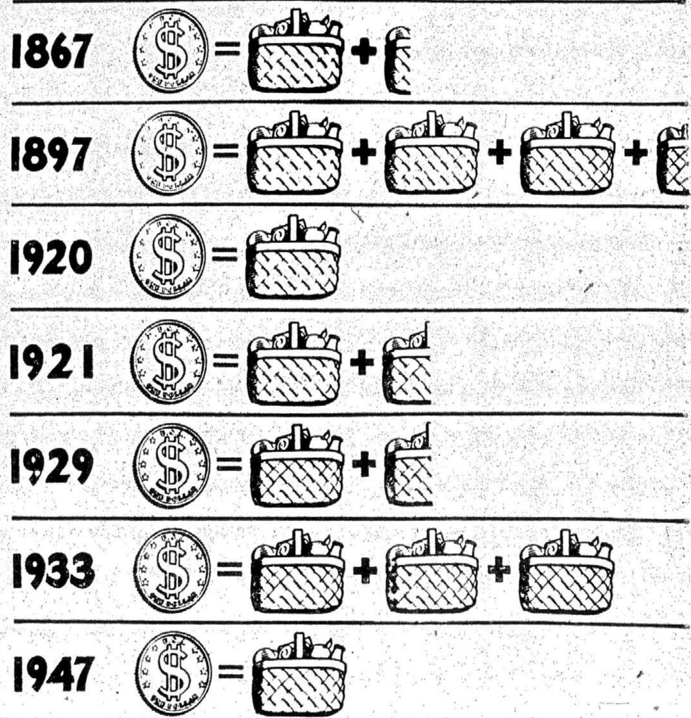
Yet the dollar is still a stone-age dollar, really a unit of weight of a yellow stone, not a unit of value or power to purchase the necessities and conveniences of human life.

The reason is because of this illusion that a dollar is always a dollar, the same dollar. It took me a long time to find out that 99% of the people have this money illusion. It is only the economists, practically, that do not, and it is only some of the economists that do not. There are even some who ignore money, neglecting money in all their thinking. They, like the general public, go right on regarding money as a unit of value and think of the scale of prices in terms of supply and demand of individual goods.

They come to grief when they try to predict. For instance, that we should now have 8,000,000 unemployed today. Anyone who knows the effect of inflation knows that this could not be true. That has been proved by statistics in several monographs that I have written and some that have

(Continued on page 1404)

THE INFLATIONS & DEFLATIONS OF 80 YEARS



DESIGNED BY JOHN BAER "THE CONGRESSMAN CARTOONIST"

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Inflations and Deflations of My Eighty Years

(Continued from page 1403)

been written by Henri Fuss of the International Labor Office, associated with the League of Nations.

The Money Illusion

I discovered this after I wrote my first book. I wrote a book called "Stabilizing the Dollar," published in 1920, and after it was written I was disappointed in the results. The publisher was satisfied and it had a moderate sale, but it didn't make the impression that I thought it was going to, and it took me a year after that to find out why. It was the money illusion.

I got letters. I got a letter, for instance, from the president of one of the big companies in the United States. I am not mentioning his name. He said, "I have lived all my life, I have been successful, I have made money, and I have heard all kinds of things about money, but I never heard before that the dollar wasn't stable. I don't believe it is true. I think you have got it upside down. Prices change but the dollar doesn't change. In short, why stabilize what is already stable?"

When finally I got it through my head that the money illusion is so important, I wrote a book called, "The Money Illusion," and tried to bring it out clearly.

In 1922 I visited Germany when prices were 50 times what they were before the first world war. I went there with another American economist, particularly to find out whether in Germany they could possibly have this money illusion. Every school boy in the United States knew, or thought he knew, that the mark had fallen, because he assumed the dollar was stable and he knew the mark, in terms of the dollar, had gone down, and he happened to be right. The mark had gone down greatly. He didn't know, however, that the dollar had gone down too, though not as much. Each country has the illusion that its own money is constant.

So, in that visit of 1922, I found by actual count with another American economist, Professor Roman, that 19 out of 20 people, other than economists, thought that the mark was just the same mark in 1922 as it had always been. That seems incredible, but it is absolutely true, despite the fact that it had really fallen 98%.

I found the same thing in France, where they had a great deal of inflation, but not as great as in Germany, and I found the same thing in England, where they had considerable inflation, but not as great as in France. Everywhere I found it was true.

People are subject to the money illusion that a dollar is always a dollar, because they measure everything in terms of the dollar, but they take for granted that the dollar is constant. But it isn't, as you can see from this chart. It is very far from constant, and even if you had 20 market baskets there, you would find that a great majority of the people in the United States would still have the illusion that it was merely prices of commodities that had gone up because of supply and demand of those commodities, hogs and wheat and so forth, and that it had nothing to do with money. I have been shouting my head off for years trying to get people to understand this a little, but my voice wasn't loud enough to be understood.

President Roosevelt came. Someone asked me tonight if I was a New Dealer and I said no, but I think Roosevelt did some good things and one sound thing he did was to make this nation conscious of such a thing as inflation, so that everyone now in the United States uses that word. Very few of them use it rightly because of this money illusion, but still they are inflation conscious a little bit, and it is the first time in the history of the world that any nation has had a great majority of its people, or even a large majority of its people, realize that inflation and deflation exist.

When this word inflation came to be bandied about as it was during Roosevelt's administration, someone, a reporter, looked up—because people were talking about the corresponding period after the first World War when we had inflation—looked up the word inflation in the index of the New York "Times" and found no reference except one, and that was in an article which I had written. I was then a voice crying out in the wilderness, but today people are willing to learn a little bit about inflation, despite the fact that most of them have very bizarre ideas of what inflation is because of this money illusion. Even bankers who handle money—in fact, I would say particularly bankers — have it, because they think in terms of money entirely; they don't have a yardstick of purchasing power to think of as a merchant does.

Once, at a meeting of the First World Bank, established after the first World War, some one thought he would play a practical joke on the directors of the bank, and proposed that since they had so many currencies to deal with they should keep all their accounts in grams of gold. They said, "No, no, a gram isn't a unit of value; a gram is a unit of weight. It would be absurd to keep our books in terms of grams of gold."

"How about the Swiss franc?"

"That is all right."

Now, the Swiss franc is about a third of a gram of gold. So, he pointed out they weren't willing to let a gram of gold be their unit, but they were willing to have a third of a gram of gold be their unit! The reason was that the third of a gram had been masquerading as a unit of value.

Some of the reformers amongst us on this subject have often cited the Constitution of the United States, which said, "Congress shall have power to regulate the value of money." We have interpreted that in modern terms of market baskets or index numbers. We have been reproved for this. The critics say, "The Constitution didn't mean that. They meant merely fixing the weight and fineness of coins." But the reason was that then such fixing was the only kind of measure of value known.

But it was like measuring the height of a horse by hands or the yard by the girth of the chieftain of a tribe. Our forefathers knew no better way. Nothing was known about index numbers in those days, a device for measuring the general level of prices or scale of prices, but they meant exactly what they said—a unit of value. We have never had a real unit of value in this country, except during those eight years under Governor Strong.

Even today after Roosevelt has put the word inflation in everybody's mouth, few know its presence or even its true meaning. During the fourteen years while inflation was thus stealthily creeping up on us, you heard repeatedly the query "Is inflation coming?" And several writers have published statements that it would not come although it has already been going on for years. They "proved" their case by arguments not even mentioning money! It was a good example of "Hamlet" with Hamlet left out. I even venture to say that for most of you present tonight, the facts shown in the chart came as news to you.

I may add here that most of the great economic problems today involve inflation, though you would never suspect it by reading about them. Take the subway fare problem. I examined everything printed in the New York "Times" on this question and found the word inflation mentioned only once, and that was by the Mayor of this city; and his mention of it was a misuse due evidently to the money illusion. When inflation occurs, some prices lag behind and take time to catch up. Prices fixed at five cents because of the slot the nickels go into are among the last to catch up.

Another great economic problem in the public eye has been unemployment. Those who estimated the unemployment after the war at 8,000,000 must also have "left Hamlet out." For it has been shown, both in theory and practice, that inflation absorbs the unemployed. Another problem is that of strikes. These are promoted by inflation. The price of labor seeks adjustment to the raised price level. If labor is not alert it loses. That has happened to our teaching profession with the result, incidentally, of a great loss of good teachers and a great loss of morale among those left.

Another important matter may be mentioned—investments. During inflation bond holders lose heavily. Their cost of living rises but their income from bonds does not. Yet to them these two facts have no connection. They still think they had a "safe" investment. No really safe investment can exist without a safe dollar.

The Causes

Why have we had these changes? What is the explanation? What is the causation behind all this inflation and deflation? I have told you inflation is when there is a plethora of money and deflation is when there is a shortage of money. In the Civil War times we had too much money, greenbacks. They were issued to help pay for the Civil War. We actually used a printing press, printed irredeemable paper dollars and paid our soldiers in them. People do know that greenbacks depreciated because they measured them in terms of gold and gold didn't depreciate as much.

But we had then a very small dollar, just about as small as it is today, in terms of greenbacks. Why did the dollar expand in those thirty years? Simply because, for one reason, we got rid of the greenbacks and began to redeem them.

Then and there was a bitter fight between the greenbackers who were regarded as "soft money" men, not sound money men, on the one hand, and those who wanted "hard money," on the other—gold or silver. There was also disagreement between those who wanted silver and those who wanted gold and those who wanted the two together—bimetallism of gold and silver at sixteen of silver to one of gold by weight.

Then came the so-called crime of 1873, where silver was demonetized, though people paid very little attention to it at that time. So you could no longer take silver down to the mint and have it made into silver dollars; you could take gold, but not silver. As soon as we got back to the gold standard, after we did get back, people looked back and said, "A law has been put over on us. It was a trick of Great Britain to get us on the gold standard and get us off the bimetallic standard of gold and silver at sixteen to one." At any rate, the people that talked about the trick, or the crime of 1873, were right to the extent that it added to the deflation and the increase in the size of the value of our dollar.

That was 1873. The Resumption Act was passed in 1874, and we actually did resume on Jan. 1, 1879, so we finally got back to the gold standard and when we did so, between the Civil War time and 1879, the dollar had grown considerably, and it didn't stop. Why? Because between 1879 and 1897, gold became scarce, the mines began to peter out, and the scarcity of gold continued.

There was also another reason. Much of our currency was from wartime and in the United States it consisted largely of bank notes, national bank notes. In order to help pay for the war, we allowed the banks to issue what was called bond-secured notes.

So that tied our government debt to money, and as our debt was paid off, the banks had to redeem the bank notes more and more until they finally disappeared, practically. That was further deflation, reduction in the bank notes.

I might go on to one or two other causes, but those are the chief reasons for that first magnification of the dollar in my lifetime between 1869 and 1897.

That caused great distress to people who were in debt, especially the Western farmers who had mortgaged their farms to the Easterners. That made a hard feeling between East and West: The farmers complained that the Eastern creditor was a Shylock, and that with the lower and lower prices of wheat they couldn't pay their debts. There was a great discontent.

That was the history of those 30 years. Then came the inflation again, and the dollar shrank down in the next 13 years to one market basket, the same as it is today. That was due to the fact that just after 1897 there came a gradual increase in the quantity of money. We had discovered gold in Alaska, in Cripple Creek, and in South Africa. We had a new method of extracting ores more quickly, the cyanide process. All that gave fresh impetus to rising prices, and prices began to rise. Then came the importation of gold from abroad, because when the first World War broke out in Europe in 1914 the paper money in Europe, in the various countries of Europe, had wartime inflation, as is always true during such situations. So we got more gold from abroad, and had more gold inflation.

Then we went into the war ourselves, and had our own wartime inflation, just as in the late war, as you know, although little was said about it at the time—nothing almost. President Wilson spoke of it, but nobody paid much attention to it; they didn't understand it, they didn't try to understand it. So, as a result of all the causes I have mentioned, the dollar shrank again to one market basket.

What is the explanation of the great change, when the dollar increased 50% in a single year, 1920-1921? It stemmed from the fact that the people were so discontended over the "high cost of living," as they called it, that they demanded that there should be something done about it by Governor Harding—not President Harding. Governor Harding, head of the Federal Reserve Board at that time, was stung to the quick by this criticism that he was doing nothing about it, that he was a "weak" man, and he said, "I will show them I am not a weak man."

So he persuaded the Board to enter a period, consciously, of deflation. I know one official who knew what that would mean, who shed tears over it. He was Comptroller of the Currency at that time.

At any rate, it was done, and during that one year you had the fall of prices, as I have said, and the rise in the dollar of 50% in a single year, and the sharpest depression in one year we ever experienced.

That was checked by the greatest banker this country has ever seen, Benjamin Strong, head of the Federal Reserve Bank of New York City. He invented what is called the "Open market operations, *for the purpose of stabilization.*" Open market operations had been authorized by the Federal Reserve Act when it was passed, but only as a help to bankers in doing their business with no thought for stabilization; but Benjamin Strong saw that he could stop this deflation, and he did, simply by injecting more money into circulation. He found that with the cooperation of the heads of the other four big Federal Reserve Banks, those of Boston, Philadelphia, Cleveland, and Chicago, he could regulate the quantity of money and therefore regulate the value of the dollar and keep it in pace with business. He put money in circulation by buying government bonds in the open market. That is, he got the bonds and those who sold them to him got the money. That money went into circulation, and that is what was needed. It stopped it almost overnight; it stopped that deflation almost overnight, and this money management lasted as long as he did. We stabilized for the first time and the only time in the history of the United States.

When he died in 1928, it died with him, and the stock market crash came the next year. I think the stock market crash would have come anyway, to some extent, but the deflation that came after the crash was a separate matter and need not have come at all. Strong could have coped with it just as he did with the deflation of 1920-1921.

We had a wonderful prosperity during those eight years of Strong's management. There was, naturally, speculation during that period, as there always is. You always have speculation where there is prosperity, whether it is because of the growth of railroads, new land, or whatever it is. It is inevitable that people will get caught in debt; and unless the dollar is very stable and helps them by reducing its value all the time, these people will naturally, many of them, become insolvent.

But the general fall of prices that followed after 1920-1930 was quite unnecessary. That was due to the bankers, not realizing what they were doing and thinking, that after being very considerate with the speculators after the crash, as, in fact, they should have been, a year or two after the stock-market crash they began to think, "We want now a general liquidation." The word was passed around. They thought it would clear the air to have a general liquidation. They were right as to liquidation; but unfortunately, just as the bond-secured currency tied government debt to bank notes, so by our present system of banking we have a perpetual tie-up between the quantity of money and bank loans. If you look at any bank statement, you will find that the bank loans and investments will be almost the same in amount as the deposits, the checkbook money. As long as we have our system of banking such that our checkbook money is tied to these debts to banks, you can't have stable money unless you have a stable volume of debts. That tie-up is the great defect in our present system of demand-deposits.

So when the liquidation of the banks occurred, all with the best of intentions by the banks, it not only reduced the debt, but shrank money.

I want again to emphasize the fact that the crash of 1929 and the deflation thereafter were two distinct things; the latter at least could have been prevented.

The quantity of money shrank between the stock market crash and the bank holiday of March 1933, when Roosevelt came in, from $22 billion to $14 billion. From $22 billion to $14 billion in two-and-a-half years! That is a tremendous change. So, between 1929 and 1933 the dollar doubled in its value because of this mistaken policy of liquidation. It repeated the folly of 1921.

If eight out of every twenty-two miles of our railways were destroyed, the newspapers would be full of it. Yet the destruction of eight out of twenty-two dollars in our greatest highway of com-

merce occurs without being known! This is because of the omnipresent money illusion.

Then between 1933 and the present time, the chief reasons for the inflation from which we are now still suffering were as follows:

The shrinkage of the dollar from three market baskets to one market basket in only 14 years was chiefly due first to the policies of Roosevelt. He tried government spending. This wasn't, as most people think, the fact of the government spending. When you have government spending money, it is from taxes, or money from people who have invested pre-existing money in bonds. You then have no increase in the money supply and government spending doesn't have any effect as to inflation or deflation.

But, when *new* money is created, then you have inflation, and new money was created, not only during the depression but long after. So we have had this great inflation during these 14 years. Even after the war ceased we had it, because bank loans increased; also another reason was because prices were held down somewhat. The record hasn't been altogether right because there were short weights and measures, there was substitution of lower qualities, there were up-gradings of goods, and many things that deceived people into thinking that we had less inflation than we actually did have. It was chiefly the other restrictions, such as rationing and so forth, which had the effect of holding back money, this money now being released. Another reason was the reduction in the weight of the gold dollar—41% in 1934.

Those are the chief reasons for these different movements.

The Evil Consequences

What of it all? What harm does it do?

A great deal of harm; more harm than anything else, economically. This is the biggest economic problem in the world today, as it has almost always been, the problem of inflation and deflation. It is also the most neglected.

In the first place, when you have inflation it robs the creditor; he gets less. The creditor includes the savings bank depositor. So a savings bank depositor, usually a poor man, thinks he is getting 3%, or 2% now, on his money. He has really been getting nothing—less than nothing—because his principal has been shrinking faster than the interest that he is getting, but he doesn't know that because he always thinks of the dollar as still the same dollar.

Bondholders are losing the same way. So are all institutions depending largely upon bonds, like Yale University, all other universities, hospitals, churches, foundations, salaried people. That is primarily a matter of bonds. They suffer losses whenever there is inflation.

When there is deflation the opposite occurs.

Then you rob the debtor, and "the debtor" includes the businessmen because almost all businesses are in debt, and should be. But they don't realize what is happening when you have deflation, and thus they are apt to go bankrupt; not because of any fault of their own but because the dollar has been changed in such a way that they can't make money any more.

That applies to the common stockholder; for his company is in debt to the bondholder, the salaried man, the workman, the landlord, perhaps — people who have incomes fixed, or nearly so, in dollars.

That applies to the teachers today. They soon find they suffer through the inflation period, though only a few know the real cause.

That is, inflation helps one set of people and hurts the other, and deflation does the opposite.

That is the way of it in the first place, but that isn't all. The net effect is not only the injustice of taking wealth from one set of people and transferring it to others. I won't stop to specify, but on account of the money illusion, people always attribute this to something else. They don't attribute it to the inanimate object, the dollar, they attribute it to some conspiracy against them, something mysterious, something wrong somewhere, and they turn out the party in power, particularly. So you have discontent, and that makes radicalism, just as populism grew during that first period in the chart and disappeared over night after the turning point in 1896; just as Bryan was nearly elected in 1896 and the tide turned against him in 1897 because then came inflation instead of the 30 years and more of deflation.

So, if you follow the political effects of this alone, you find that they were quite serious, and the effects of radicalism. After the second period, that from 1894 to 1920, you turned out the party in power in 1920. People were claiming that Wilson was to blame, so they wouldn't elect Cox, who was a Democrat, and they put in Harding.

And in 1933 we had a big political overturn. Hoover came in with great popularity in 1925, and was turned out in 1932. Thus came Roosevelt.

When Hoover was first nominated, I made a beeline for his office and I said, "Mr. Hoover, if you allow either great inflation or deflation to occur during your administration, you are out." And that is what happened.

Not only was there great discontent here, but also in other countries. It was true in Germany. So the Weimar republic went out. People in Germany during this deflation here, caused a depression by deflating the value of the mark, and caused great discontent. The deflation caused bankruptcies of a good many businessmen all over the world. Many shut up shop, causing unemployment, and the biggest factor in unemployment is deflation, always. The biggest factor in absorbing the unemployed is inflation, and one-third of the working men in Germany were out of work, and that "made" Hitler politically. That was one of the biggest factors, I mean.

Of course, I am simplifying now; I am just showing the one thread of inflation and deflation all the way through.

The personality of Hitler was of course of a part of the whole history, and a great many other things, but Hitler would probably never have come to power if it hadn't been for the unemployment and the deflation; and the deflation wouldn't have occurred if you had had the deflation checked as it was in the 20's under Benjamin Strong.

That was one of the biggest factors in bringing in the World War, this second World War, and the aftermath which is with us yet.

What Next?

We may have a repetition of this in the next few years, which is I think, considerably more likely than the opposite. We will have radicalism in this country. There will be Communism, and that will mean a Russian ideal ruling instead of the ideals of America, the free enterprise system.

So this is pretty serious business, gentlemen. You see, when you change the value of the dollar, it is equivalent to changing all the units at once. When you reduce the quantity of money from $22 billion to $14 billion, as happened between 1929 and 1933, it is equivalent to the opposite change, this doubling of the dollar. it is equivalent to cutting in half the yardstick, the pound avoirdupois, the kilowatt, and all the other units on the other side of the counter.

You wouldn't stand for that. Only what we now do is worse, worse for two reasons. In the first place, it applies to everything whereas these others only apply to some of the things. In the second place, people would see it and understand it and take account of it as far as they could, and remedy it. But, when the dollar changes, on account of the illusion, they do nothing about it.

There is a third reason that is even more important, namely, that contracts for future delivery are made in terms of dollars far more often than they are made in terms of business futures, and all that. We do sell wheat futures and other futures, but every debt is a sale of future dollars, and we are gambling on the dollar every time we make a debt, we are gambling on what the value of the dollar will be, every time we make a debt.

So the instability of the dollar is worse than all of the combined instabilities of all the others put together. That is the way of it.

What next? Nobody knows. I am not going to try to be a prophet tonight.

There are three things that may happen. We may have great inflation. I know one very intelligent banker who studied this problem, perhaps more than any other in the country. I won't mention his name because he wrote me confidentially his opinion. He thinks we are going to have a terrific inflation after this. The reason is this: The bonds held by banks now, half of them nearly, are short-term bonds, turning into cash very soon. That cash can be made reserve, and under our system where only an average of 16% reserve is required, you can multiply the bonds by six and get six times as much checkbook money. We have now got $85 billion checkbook money, and that is four times as much as 1929, and we could have six times that, which is 24 times as much as 1929, which was supposed to be a high year. That would be terrific inflation.

I myself do not think that is nearly as likely as a second possibility, namely, that after a few years there will be an idea of liquidation similar to that of 1920, which caused that sharp depression for one year and was checked by Benjamin Strong and partly by other causes. So you may have a deflation caused particularly by liquidation, similar to that of 1929 to 1933, and the depression years. If you do, you will have Communism as one of the results.

We have the third possibility, and that is what I have been working for, the passage of a bill in Congress to stabilize the dollar and give us a unit of value that is a real measure of purchasing power. If that were done, we would get rid of inflation and deflation practically both at once.

How can that be done? There are two major parts of the remedy.

One is to restore the open market operations as used by Governor Strong. I pleaded with Governor Strong to get him to endorse the bill we then had before Congress, which was simply to have the government take over that process of using open market operations and doing what he was doing by doing it openly and efficiently and by law. He said, "Don't do that; for God's sake, don't do that. If you do that, I am going to resign." He said, "I am doing pretty well, but it may be by good luck, but if I am out in the limelight and held responsible for this, I can't stand it. I don't want to take the responsibility."

I said, "Governor Strong, I trust you as long as you live, but you won't live forever. It will die with you, I am afraid."

That is what happened. His successors didn't understand it enough. He hadn't succeeded in doing what should be done to get them to make it a policy.

There is one country that did do it officially, and that is Sweden, a very intelligent country in general, and particularly in these matters. They sent a committee over here to study what Governor Strong was doing. They went back to Sweden and applied it immediately, in 1933, and for five years they stabilized the krona. They had an actual market-basket dollar in retail—so much fish, so much other things in the cost of living would constitute their krona. They kept the krona constant in internal purchasing power for five years. Then they gave it up. It was a success, a great success in fact. Sweden got out of the depression faster than any other country, just as our country, when it had stabilization, had the greatest period of prosperity that it ever had.

They gave it up because of the foreign trader, who didn't appreciate the importance of this internal stabilization of the krona, but did see that it interfered with his business in London because he could see the market quotations of the pound sterling to the pound krona, and the pound krona to the pound sterling, and he didn't want to have his business interfered with in that way, and he didn't realize what he was doing in insisting on making this change. Perhaps it was wise. Sweden is a small country and is dependent upon foreign trade.

Certainly it would not be wise for the United States.

In thinking of restoring it, they recognized it as a great success, but only as long as they could keep both internal and external stabilization going, which they did for five years. They were trying to ride two horses, and they jumped on the wrong horse from the standpoint of international stabilization. So they dropped it too.

So we have had two successful experiments in stabilization, one in this country under Governor Strong and the other in Sweden. It was officially put out by the government as the idea that they should keep the krona, too.

I believe we have got in Congress some of the most intelligent men we ever had. I won't go into particulars, but I was down there two weeks ago and I was amazed to see how several people in Congress understood this problem, and how terrifically important it was.

As to what is next, there are three possibilities: Inflation, deflation, stabilization.

In my opinion, inflation is not very likely, except the next few weeks, perhaps, a little, to complete the cycle we are now going through.

Then, we are very apt to have deflation.

Stabilization seems to be very difficult because so few people even in Congress, understand it I have been trying to bring the motives to bear. I have written every Congressman, telling them that their party was put into power this last election by inflation, because people were discontented with all the restrictions which had to be on account of inflation, and that they would be swept out of power just as Hoover was when we had deflation, if we do have it very soon.

If enough will study it seriously and understand the history of the thing, there is a fighting chance that the bill which I am trying—and the anti-inflation and deflation committee with me—to introduce will really do the trick. I feel, after having failed all my life to succeed in this endeavor, that there is only, after all, a fighting chance.

The real problem ahead of us is deflation after a few years, depression, unemployment, discontent, radicalism, which in this case means Communism, Russianism in this country.

I was talking tonight with a man in regard to a war with Russia. I said "I think we should trust the organization, the United Nations, and develop it." I hope Russia will cooperate to the extent of disarming. She has said she wants to. But even if that is done, if we have depression, we are going to have Communism growing inside this country, internally, spread by the propaganda that Russia is having, and everywhere else.

That isn't a very pleasant prospect, but I am trying to tell you what is likely to happen.

The second important element in any proposed reform is to raise the reserve from the average of 16%, not at the expense of the banks, but through processes which I will not attempt to describe because I have already gone beyond my time considerably and should bring this talk to a close. But it has been worked out so it would be advantageous to the banks, not only because it would be advantageous to all of us, and prosperity would help the banks, as well as others, without depressions, but directly and immediately it would be of benefit to the banks. Its greatest virtue is that it would sever that fateful tie between our money supply and bank loans.

Conclusion

I am 80 years old. I will soon be passing off the stage, and I want very much to see this work continued. During my lifetime I have spent at least $100,000 of my own money trying to help this cause. I have now got the support of 1,200 economists and economic specialists, among them Owen D. Young. I dedicated one of my books to him, "The Money Illusion." He then said, "You don't need to tell me about it. My experience in Germany makes me understand what you are talking about." There are several important bankers, almost every banker who has made a real study of it—not many of them have—including W. L. Gregory, President of a bank in St. Louis, who is perhaps the greatest scholar on it in this country, and a number of other very distinguished people. We have now got lined up behind this project more mass force than we ever had before, and if by any chance we should succeed before we fall into the trap of Communism, it would be the greatest step forward that applied economics and business has ever had.

We have also had trouble with radicals, and these radicals often know and understand this problem better than most business men. Marx and Engels even back in their days, knew that every time we had inflation or deflation it was just what they wanted, it was their opportunity, and they will make good use of it when it comes again.

The Communists will come along and say, "The system of America of free enterprise is a failure, and produces depressions and unemployment. Give us Communism and we will see that everybody works." That is the gospel they will be preaching.

If, on the other hand, we are so fortunate as to solve this problem permanently, we will have the greatest and the least interrupted prosperity this world has ever seen.

Maxwell Roberts With Otto Fuerst & Co.

Otto Fuerst & Co., 57 William Street, New York City, members of the New York Stock Exchange, announce the association with their firm of Maxwell B. Roberts. Mr. Roberts was formerly with Bendix, Luitweiler & Co.

Edward A. Pollard to Open Own Inv. Firm

Edward A. Pollard will engage in the securities business from offices at 30 Broad Street, New York City. Mr. Pollard was formerly with Ernst & Co.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

A Challenge to Pessimism

(Continued from first page)

fair to swell the rolls of unemployment, according to some economists, but time has repeatedly disproved these theories.

Today we have more than our share of the timid and the prophets of gloom trying their best to dissect the elements of danger and shaking their heads knowingly. Their theme songs are varied, if not new, and the strains run like the following.

Gloomy Prophecies

The world is in turmoil and the British Empire is crumbling, leaving us in a most vulnerable position.

Our industrial machinery has been expanded to such an extent and our "know how" to produce developed to such a fine art that we will be able to satisfy our accumulated needs in six months or less and create such a surplus that our economy will go into a tailspin.

Consumer buying power has passed the peak and our prosperity will be cut short by the inability of consumers to digest all of the things that are to be produced in quantity.

Prices are too high and consumer resistance will cause unbalanced inventories and eventual sharp price declines, thereby creating serious corporate losses and vanishing profits.

The break-even point for industry has risen to the point where a moderate decline in sales would wipe out profits.

Wages will have to be raised again, further curbing profits and aggravating conditions because prices can no longer be advanced without seriously disrupting the consumer markets.

The renewed sharp advance in commodity prices will cause another sharp rise in the cost of living, accelerating the demands for higher wages and then . . . bust.

Have you had enough? These are only the pattern of the major diseases, but there are those who will give you a score of others, of the common-cold variety. But, maybe you too have succumbed to this fearsome review and are now thoroughly depressed. So let's go on with the story and subject these various contentions to careful scrutiny.

Foreign Situation Can Be Repaired

Foreign conditions are bad but not beyond repair if America fulfills her role with destiny. The British weakness is no longer a hush hush affair. Its serious plight is known and the British people have now been told the truth as to the future. They should receive all possible aid and assistance in readjusting their position to realities. This lion-hearted people will undoubtedly respond again as they have in the past and emerge a lesser but solvent world power. It is also reasonable to believe that this country, emerging as the most powerful force in the world, will be able to use its position intelligently enough to aid world recovery and maintain its dominant economic position. Europe and the Far East are like fighters that have been floored for long counts and are emerging from their coma, groggy but capable of a return to renewed vigor with proper care and guidance. If one takes a purely coldblooded viewpoint of our relation to foreign affairs then it seems to the writer one might consider the fact that there is only one real source of supply for world rehabilitation and that is here. What the world cannot pay for we can extend credit for, thereby assuring a continued large export business for some time to come. In evaluating the relationship of the rest of the world to our economic wellbeing for the next several years, it is not necessary to project predictions of the longer term outlook or to weigh the hazards of long range foreign politics in appraising the intermediate economic position of this country.

The premise that we have excess productive capacity is a time-worn fallacy that has consistently confounded its advocates. How can we seriously consider this premise when we know that the railroads are far short of the required equipment to haul the traffic of the present and the foreseeable future. The business of the future has among its pillars of strength tremendous accumulated needs for housing, automobiles, railroad equipment, all kinds of household appliances and a huge demand for steel to meet the requirements of these and related industries. These requirements range from one to three years of capacity operations. The timid soul may doubt the significance of these things, but fortunately the foresight and courage of industrial leaders affords a striking contrast. Capital expenditures of large proportions are being planned in all industries despite the expanded facilities created by the war. The steel industry has, alone, budgeted for expenditures of between $400 and $500 million this year for modern equipment.

Consumer Purchasing Power

What justification is there for assuming, as many do, that consumer purchasing power is on the decline? Employment, wages and prices determine consumer buying power. Employment is at peak levels and, with continued large domestic and foreign demand for durable and semi-durable goods indicated, should remain at a high level for a considerable time to come. This makes for security of employment, a major factor in consumer spending. Wages are still on the upgrade but prices generally are expected to decline as production rises. The trend is already discernible of the intent of leading manufacturers to reduce prices despite capacity operations and huge backlogs of orders. The components of buying power point to the diametrically opposite conclusion of that of the doubting Thomases. There is and will continue to be consumer resistance to high prices but merchants will tell you that the resistance is primarily in low-grade merchandise that still commands high prices. That is healthy. The day is gone when a good-natured public will take anything offered them and at any price. Retail stores have been selling slow moving items for what they will bring, thereby strengthening their inventory position for the large demand that lies ahead for better quality goods. Production and competition will take care of prices and good merchandising will take care of profits. For many months past management, fearful of unbalanced inventories, adopted a much more conservative buying policy, and this had made for a healthier inventory condition.

Profit Break-Even Points

As to break-even points, they, of course, vary widely according to efficiency of management and the degree of labor costs to the total. Again, the best answer to the exaggerated theories propounded on this matter is to be found in an analysis of corporate statements. Many leading corporations amply demonstrated in 1946, during periods of production between 60% and 75% of capacity, their ability to break even at the lower range and to earn substantial profits in the higher range. Many of these companies are now operating at or close to capacity and man-hour productivity is steadily increasing, so that it requires no great stretch of the imagination to estimate industry's potential earning power and profit margin of safety. It would seem that the kindest observation one might make about these pessimistic break-even prognostications is that there is a large margin for error and voluntary action to reduce prices while demand is large, as in the case of Ford and Harvester, further attests to this fact.

Commodity prices have risen sharply again but rather than consider this a forerunner of another spiral of a rising cost of living and wages it might be characterized as the tail-end gyrations of highly sensitive markets sparked by special conditions that are in the process of changing. To illustrate, grains had been the target of considerable speculative short selling on the theory that the Government had largely completed its purchases for foreign shipment and that prices were excessively high. Subsequent reports from Europe showed marked deterioration in the 1947 crops and increasing needs for essential food from the Western Hemisphere. Government purchases were resumed on a substantial scale and an oversold market was technically primed for what ensued. But the grain crops of Europe will probably be larger next year and meanwhile the indications are for bumper winter crops here so that the law of supply and demand is moving toward better balance.

Due to continued record consumption of cotton and a very short crop it is indicated that the crop carryover will be the smallest in 30 years, but despite this the distant cotton futures are selling at considerable discounts from the current months and at prices well under the highs of last year.

And so with the other major commodities. As the supply increases prices will taper off. Prices of many food items have been easing and the overall situation indicates that we are close to the peak of living costs and wages rather than that a new upward spiral is in the making.

Farmer Is Protected

Lest it should be deduced from these observations on farm commodities that there is a danger of a decline of the proportions of the early '20s, it should be remembered that the farmer is protected by a two-year guarantee of 90% of parity prices following the official termination of the war. While this does not mean that commodities will not or cannot fall below parity, it does mean that so long as the farmer can turn over his corn and wheat to the Government at 90% of parity prices and his cotton at 92½% of parity there will be no necessity for him to dump this produce on the market and the absence of this selling pressure will act as a great stabilizer on commodity prices when, as and if they decline to parity prices.

Seeing Is Believing

So the old adage goes, but it is hard to believe what you see when you weigh all of the factors that make for security prices. Corporation after corporation reports record earnings. Heavy industries are swinging into high and give promise of adding their weight and power to prosperity with record earnings. Management attests to its confidence in the future by many declarations of higher dividends and large capital expenditures. If securities were booming and yields were subnormal there would be ample justification for real concern. But the stocks of many good companies are selling at 3 to 6 times 1946 earnings and are likely to earn more this year. Prime heavy industry stocks are selling at 6 to 10 times indicated 1947 earnings. All of this after six years of flush earnings during which time large values have been plowed into equities and plants have been modernized at Government expense. One does not have to believe that the present tremendous earning power of industry must be maintained to justify an optimistic viewpoint on securities. Any lengthy continuation of current earning power would make today's prices absurdly low. Our economic machine needs only to function well enough to yield about 40% of current earnings to justify this level of security prices. In a word, business is excellent and the outlook for its continuation seldom has seemed better but thus far the stock market refuses to recognize it. Actually business would have to go into a real tailspin to warrant current appraisal of values or justify the view that substantially lower prices are coming.

The political trend toward a more conservative approach to business and labor problems is a development that should inspire more confidence. There is likely to be much less domestic "rocking of the boat" in the years ahead than in the past decade.

Although there obviously are special considerations to account for the disparity, it is nevertheless interesting to note the psychology that appraises the value of equities of the greatest power in the world with the greatest future potentialities so cheaply as compared with the psychology of a reputedly declining empire that is socializing its major industries, yet confidently price its equities at near peak levels.

In this article the writer has made a number of important sanguine assumptions as to future developments in contrast with the more prevalent pessimistic assumptions. The intent is not to minimize the seriousness of world conditions or the domestic problems that tend to becloud the future of our own economy. We must produce steadily and efficiently and iron out many price dislocations to ensure continuing prosperity. It is the complexity of world affairs, primarily, that engenders the fear and uncertainty that prevails and under such conditions investment markets do not thrive. It is this state of mind that largely accounts for our current appraisal of security values. We have the wherewithal to make our prosperity last and sooner or later our markets will take cognizance of this fact. Caution is understandable but pessimism seems unwarranted.

Aftermath of Japanese Currency In Philippines

(Continued from page 1378)

to validate payments of prewar credits with the Mickey Mouse, but the measure was vetoed by President Truman. At that time the Philippines was still a Commonwealth, and legislation affecting currency was subject to federal approval. There was some legal doubt as to the validity of the veto. It was claimed by certain prominent Manila lawyers that the bill did not affect currency for it merely regulated creditor-debtor relations, but no case reached the courts as everybody thought that a possible judicial finding favorable to the Filipinos might be deemed in Washington as a challenge to the assertion of its authority.

President Truman's disapproval of the bill was based on strong representations made against it by Paul Vories McNutt, then the United States High Commissioner to the Philippine Commonwealth, and now American Ambassador to the Republic. A similar bill was presented last year to the Philippine Congress. Approved in committee over the objections of American and British banks, the measure was afterwards tabled, presumably upon instructions of President Roxas as head of the party in power. It is generally believed in the islands, but possibly without basis, that President Roxas was compelled to issue the corresponding directive by Ambassador McNutt. As a senator in 1945, President Roxas voted for the validation of payments made with the Mickey Mouse. But the islands were impoverished by the war, both from Japanese looting and incendiarism and American bombing and shelling, and President Roxas knows that he cannot run his country without help from the United States.

The Filipinos are to be pitied for being weak; they have practically no bargaining power at all. When the Japanese took over from 1942 to early 1945, the invaders bargained for political collaboration with the physical security of the people. The Filipino leaders had to capitulate, and they are now facing treason charges. After the Americans reconquered or liberated (depending on the individual Filipino's point of view) the islands in 1945, Ambassador McNutt has tantalized the Filipinos with economic rehabilitation, and although the Philippine Rehabilitation Act passed by the United States Congress on April 30, 1946 has not yet been made effective, Ambassador McNutt has already succeeded in securing concessions from the Filipinos. Some of these are: (1) Filipino laborers were allowed to be exported to Hawaii to work in the territory's sugar industry, although this may ultimately kill rehabilitation of the Philippine sugar industry itself; (2) Philippine scouts were allowed to be recruited for the purposes of the American occupation of Japan at less than half the cost of maintaining American troops; and (3) American Military bases, where American Military personnel are immune from Philippine laws, continued although no definite agreement has as yet been concluded. These bases, incidentally, are now proving a thorn in Philippine-American relations because of abuses committed by American Military personnel against the native population.

Historical Phase of Japanese Currency

The historical phase of the Mickey Mouse may be roughly given as follows: Shortly after the Japanese entered Manila on Jan. 2, 1942, the Commander-in-Chief of the invading forces issued a proclamation ordering the circulation of the Mickey Mouse, then in denominations of 1c, 5c, 10s, 50c, P1, P5 and P10. The order specified severe penalty for all persons obstructing the circulation of the notes. As could be expected, there were some who refused to accept the Mickey Mouse as legal tender in the early days of the occupation. These were manhandled by the Japanese when apprehended; some actually died in prison. In the end, the Japanese, aided by the inadequacy of "genuine" currency, were able to secure universal acceptance for the Mickey Mouse.

By the end of 1942 and the beginning of 1943, the Japanese Military Administration required all banks, excepting the Philippine National Bank, to exchange for the Mickey Mouse all "genuine" notes which they held. The order was carried out without the public obtaining knowledge of it. When it became evident that the Japanese were gathering in Philippine Treasury Notes, these began to acquire a higher exchange value over the Mickey Mouse. The latter was bad currency which

was forcing out the good. By mid-1943, all business transactions were done with the Mickey Mouse.

The war was upping the cost of living, and the rising prices forced the Japanese to spend large sums of money for such supplies as they wanted to secure from the islands. A new issue of the Mickey Mouse appeared, bearing the picture of Rizal, in denominations of P1, P5, P10 and P100. In 1944, when prices of iron and machinery in general went soaring up, the Japanese had to issue P500 notes. By that time, inflation was a fact. While actual and dependable figures are not available, it may be assumed that the Japanese must have dumped from P2 to P3 billions of the Mickey Mouse into the Philippines. To secure much needed war material and foodstuffs, the Japanese were prepared to pay fabulous prices. Should they win the war, the vanquished would be made to foot the bill; if, they lost the war—well, all would have been lost anyway.

The creditor class in the Philippines which would naturally be adversely affected by the validation of payment of prewar credits with the Mickey Mouse may be divided into local and foreign. The latter is vocal in its protest against validation; the former is silent, but wishful. Reason for local creditors' resignation to validation may be given as follows: Many local creditors demanded payment of their credits in the early days of the Japanese occupation, and for them to claim now that payment was void would be inconsistent. Moreover, in the early days of the occupation, even the Mickey Mouse was scarce, and local creditors who were paid with it were able to take advantage of low prices and were able to reinvest the payments. Invalidation, furthermore, might well mean the annulment of all transactions made by local creditors with the Mickey Mouse they had received in payment of their credits. Many local companies, led by the Philippine National Bank, apparently also stand by validation. The feeling seems to be that invalidation of payments might appear simple as far as foreign creditors are concerned, but if pursued to logical ends, it will take several years to readjust or unravel transactions originating from the receipt of Mickey Mouse in payment for prewar credits. If a mortgage creditor, for example, had received P10,000 in Mickey Mouse as payment for a prewar credit and he had used the money to acquire another property, he cannot retain the latter if payment to him being invalidated, he can again go after the original mortgagor. It would be akin to eating a cake and having it too.

Liquidation of Foreign Banks

Shortly after the Japanese came, foreign banks in Manila were ordered liquidated, with the Bank of Taiwan, Ltd. acting as liquidator. Bank credits were collected and deposits were paid. The people were made to understand by the Japanese that they had to pay or withdraw as the case may be, or else. . . Specifically, the Japanese, in a letter dated May 3, 1942, from the Military Administration Office, circularized the following:

Re-Delinquent Payers

We happened to notice that some debtors to a bank or other financial institution or insurance company has been failing to meet their obligation when matured and presented for payment, with an allegation that Moratorium Order will be issued in a near future.

This Office has never thought of its issue and no idea about it. And if you know any person or client who refuses to meet his obligation on account of this allegation, please inform us at once his name, address and the transaction concerned.

Kindly note this allegation be considered as an infringement of the Proclamation dated January 2, 1942 as cited in Section 3 (4) and therefore offenders shall be liable to the penalty stipulated therein.

The foreign, especially the English, banks claim that payment of their credits was void because it was made with the Mickey Mouse and because the Bank of Taiwan had no authority to accept payment. Not to be wondered at, of course, was their ready acceptance of an order issued in 1945 by President Osmena which validated the payment of individual deposits made by the liquidator bank.

Filipinos Attitude

The Filipinos maintain that the Mickey Mouse was not entirely illegal. Upon the outbreak of the war in 1941, both domestic and foreign banks in Manila deposited most of their securities and cash assets with the Office of the United States High Commissioner, and these were sent to the United States. In the latter days of December of that fateful year, people began depositing moneys into the banks for safe-keeping for general disorders were more or less anticipated. Thus, when the Japanese came to Manila on Jan. 2, 1942, the amount of actual cash in circulation was relatively small. During the first days of the occupation, many Filipinos underwent hardships. They had no money, and they could not withdraw their deposits for the Japanese invaders had closed the banks. In the circumstances, the issuance of the Mickey Mouse was really a godsend for it set the wheels of trade functioning again. When Japan invaded Manchuria during the Russo-Japanese war, it also resorted to the use of Military Notes. Japan won that war, made good those Military Notes, and writers have acclaimed the action as consonant with International Law. The Filipinos invoke authors on International Law to sustain their point. The most quoted is Feilchenfeld (Int. Eco. Law of Belligerent Occ. p. 71), who has stated that "the occupant will normally leave in circulation the currency in the occupied region. More often than not, even payments for requisitions will be made in this currency, a supply of which is obtained through contributions. Complications arise if the coverage of this currency has become inadequate. During the war of 1914-18 the Central Powers found such situations in several Balkan countries.

In Belgium a similar situation was created when the Belgian Government removed the metal coverage of the national currency to London. If in such a contingency the local currency continues to be used, an occupant may reorganize the national currency by appropriate methods, such as the creation of new types and supplies of coverage." The attorneys for the foreign banks cite the statements on looting by inflation made in July, 1943 at London by an International Law Conference. The part cited reads: *"Looting by inflation.* Nothing has been more devastating to the National economy of occupied countries than this form of looting to which not even the faintest allusion is made in the Regulations (Hague), it being a new device entirely out of keeping with the assumptions of the basis of that document. The inflationary measures serve at the time the co-ordination of the monetary system of the occupied country with that of Germany (already heavily inflated) and the exploitation for the benefit of central Reich authorities of the available resources of the occupied territories; they enter thus into a system of policy and government which is on another plane altogether than that of belligerent occupation.

"Under Hague Convention IV, belligerents who transgress the regulations have to pay damages; but the very subtlety of the destruction, thus wrought is such as to defy ordinary attempts at assessing damages, altogether apart from the fact that no payment of money damages can repair the social and national damage suffered. The bank notes themselves which were carried to a third country during the occupation and are still located in a third country at the end of the occupation are in such a case invalid intrinsically or may be declared so as it was beyond the powers of the occupant to create the inflation either directly or by means of the occupant controlled bank of issue." In order to win their point, the foreign banks would not differentiate subsequent inflation from the initial establishment of currency in occupied territory.

Position Taken by the Foreign Banks

The attorneys for the foreign banks in the Philippines have gone to the extent of claiming that any person who argues that the Japanese had the right to issue the Mickey Mouse should be considered as pro-Jap and, if they had their way perhaps, should be shot. Everybody concedes that the Japanese violated International Law through the inflation of the Mickey Mouse. But the Filipinos contend that the right to circulate it existed, and its subsequent abuse cannot nullify the right, especially so if the end in view of invalidation is to benefit foreign creditors to the prejudice of the people of the forum. The position of the Filipinos seems to be bolstered up by the fact that the Australian and American Governments had also printed about 30 million of the Mickey Mouse for use by their agents in the islands during the occupation. The American and Australian-printed Mickey Mouse also contributed to the inflation, and the Filipino people can hardly be penalized for its use of that currency. It might be all right for the foreign banks to argue against inflation if their own governments had not contributed at all to the inflation. If an American operative had bought P10,000 worth of rice in the Philippines in 1942 with Mickey Mouse printed in the United States, would it be just to invalidate the payment to a forein bank of that same money for the settlement of a prewar obligation incurred by the farmer in favor of the bank? If the payment to the foreign bank be declared invalid, can the farmer recover his rice?

When the Italians conquered Ethiopia, they liquidated the Bank of Ethiopia, and their action was upheld by the English courts. Perhaps, following the same procedure and international precedent the Japanese attempted to liquidate the foreign banks in Manila. To the foreign banks' contention that the liquidation was void and that payments of bank credits to the liquidator were therefore also void, the Filipinos readily reply that the liquidation was legal for it was made necessary by the fact that the people's money was tied up largely with the banks and unless the latter were liquidated, the national economy would have seriously suffered. One could easily imagine what dire results would follow if one-half of the total U. S. currency outstanding should be deposited into American banks and the latter should remain closed for a number of years with the resultant freezing of assets and deposits. What would happen in the United States in that hypothetical case actually happened in the Philippines. The average Filipino expects that the average American, who is essentially not an imperialist, will understand his plight and will concede the practical necessity of bank liquidation in the circumstances.

What is not generally known is that during the occupation foreign bank officials, interned at Sto. Tomas University, had advised many bank debtors to pay prewar obligations. Occupation was something new to the Filipinos, and most of them did not know what their rights were. Friends of the internees who could get to the latter through the grapevine contacted bank officials for guidance. The advice to pay was promptly followed, for desistance could mean trouble. If a request from the Bank of Taiwan for payment were refused, even if the debtor were known to be possessed of the necessary Mickey Mouse, the refusal could be interpreted as a hostile act, and the refuser could easily land in Fort Santiago, the torture headquarters of the Japanese Military Police. Those same officials now say that the Filipinos should not have paid and that, if necessary, they should have died for dear old National City or for jolly old Hongkong Bank.

Most fair-minded Filipinos accept the simple proposition that there is injustice for the validation of a payment made to an entity other than the creditor himself. It would indeed be unfair to the foreign banks if any of their credits should be deemed paid when the money used for payment was the Mickey Mouse, and this went to the liquidator at that and not to the banks themselves. On the other hand, fair-minded people should also consider that the debtors who paid off credits in Mickey Mouse will also suffer damage if the payment of the credits be invalidated. The Mickey Mouse, during the occupation, had value. It was the only money in circulation. It was bad money, and it drove away the good. This is Gresham's law that "bad money drives out good money." But if one in possession of the Mickey Mouse parted with it, he parted with something. Take the case of President Roxas himself. He had some money on deposit with the China Banking Corporation. On demand, he drew on his deposits in the bank so he could pay a debt due another. If his payment is invalidated, he will lose the full extent thereof as his withdrawal of prewar deposits with the China Bank is valid and binding upon him.

The Filipinos also blame the foreign banks for having made their records available to the enemy. If the originals of the records of the credits had been sent abroad together with the bank securities, and if the retained copies had been destroyed before the entry of the Japanese forces into Manila, the bank debtors could not have been compelled to pay their obligations. It is claimed that there is no morality in making the basis for forced collection available to a savage foe, and expecting the debtor to resist the demand for payment at the risk of physical danger to himself.

Ambassador McNutt's Proposal

If payment of credits were the only question involved, there could perhaps be found a way of compromising the problem by adjusting the loss which creditor and debtor should bear. Ambassador McNutt would want this compromise to be as follows: He would make a scale showing the relative exchange or purchasing value of the Mickey Mouse and the real Philippine peso during the entire period of Japanese occupation, and he would validate the payments to the banks made with the Mickey Mouse only to the extent of the relative value of the Mickey Mouse compared to the real Philippine peso at the time of the payment. The most important consideration against any such arrangement relates to the withdrawal of deposits during the occupation. Everybody concerned, the foreign banks foremost, agree that deposits paid on behalf of the banks by the liquidator are valid. Majority of the Filipinos contend that by adhering to the validation of the withdrawal of deposits, the foreign banks are estopped from asserting the invalidity of the liquidation. But if the liquidation was valid, the payment of bank credits should also be held valid. In other words, the Filipinos argue that the banks should not be allowed to claim invalidity of payments of prewar credits and at the same time claim validity of the withdrawal of deposits. Liquidation is a single act involving collection of credits and payment of debts and if it is valid in respect of one, it should also be valid in respect of the other. The foreign banks, some claim, are guilty of obvious unfairness in seeking to benefit both ways. It seems to be a case of tails you lose, heads I win.

Moreover, withdrawals of deposits were possibly made without prejudice to the assets of the foreign banks. That is to say the deposits were paid out with the liquidator's own money advanced by the Japanese Government. The assets of the bank have remained intact, and were not affected substantially by the withdrawals. If deposits are validated, the foreign banks will be tremendously benefited, because they will retain the assets represented by the deposits but they will lose the corresponding liability to the depositors. If payment of credits be invalidated, the banks will have made money by reason of the occupation. Their assets will be intact; their liabilities will be lessened. It is for this reason that the banks are fighting tooth and nail for the invalidation of payments with the Mickey Mouse. The foreign banks, mostly non-American, vs. the Filipino people. If apprised of the situation, what will be the view of the American public?

Moore-Handley Stocks on Market

Equitable Securities Corp., Paul H. Davis & Co., and Johnston, Lemon & Co., headed an underwriting group which on March 12 marketed $1,600,000 of 5% cumulative $100 par preferred stock and 85,000 shares of $1 par common stock of the Moore-Handley Hardware Co., Inc., Birmingham, Ala. The preferred was offered at $100 per share and the common at $7.50 per share. Proceeds from the financing will be applied to redeeming the entire issue of 44,000 shares of $3 cumulative $50 par preferred stock, with the remaining funds to effect this retirement to come from the company's treasury. This will leave the company with only the present issue of 5% preferred and 575,000 shares of common authorized and 500,000 shares outstanding.

Moore-Handley is an outgrowth of a wholesale hardware and supply business originally formed in 1882. The company's distribution area consists of Alabama and adjacent states.

Earnings in recent years have shown an upward trend; net income, after all charges and taxes in 1945, amounted to $286,450 as against $276,604 in 1944. Last year net increased to $1,126,788.

Directors have announced their intention to declare a dividend of 15 cents per share on the common, to be paid around June 1, and give consideration to continuing similar payments each quarter.

Cavenee & Curtis to Be Formed in Chicago

CHICAGO, ILL.—Clark M. Cavenee, member of the New York Stock Exchange, and Kenneth Curtis are forming Cavenee & Curtis, with offices at 135 South La Salle Street, effective March 20. Mr. Cavenee has been active as an individual broker.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

America Has Stake in Austrian Reconstruction

(Continued from page 1384)

Austrian difficulties as a result of self-interest rather than in a spirit of humanity.

Any attempt to present a factual appraisal of conditions in Austria is greatly hampered by a scarcity of statistical information. This is not an effect of technical inefficiency (in fact Austrian statisticians are highly regarded among experts in the field) but the consequence of present confusion. Moreover, there is little chance of measuring actual data against those of "normal" periods. In fact, there has never existed anything like a "normal" period since Austria was created in the aftermath of the lost First World War. Therefore, the discussion will, unavoidably, deal in certain aspects with "potentialities" rather than facts as can be substantiated from statistical data either present or past.*

In view of these unsettled conditions, the analysis will have to start from a number of reasonable assumptions; they are the foundation upon which all conclusions will have to be built. Yet only a few of the most pertinent ones will be discussed here.

Government Credits Cannot Solve The Austrian Problem

The first assumption is that Austria will receive grants and loans from the Western Allies which will tie her over the worst difficulties of this year and beyond. But this assistance will fall short of full requirements to replenish depleted stocks of materials, supplies and equipment. As a result, Austria like other European countries will have to rely heavily on her own resources plus whatever assistance can be arranged from private sources. Thus these private contributions may be of utmost significance and spell the difference between success and failure. This proves the importance of a decision if such private investments should be made at all, to what extent and under what kind of terms and conditions.

Second, there will be some kind of agreement on a treaty with Austria during 1947 which will result in a withdrawal of the occupation armies or at least in their reduction to token forces. The Austrian government will then be returned its full sovereignty over the country's territory. However, any such treaty will be dependent on Russian consent.

Russia Will Continue to Have Strong Influence in Eastern Austria

Third, as a result, Russia will still have considerable economic interests in Austria regardless of the final outcome of the struggle on interpretation of the Potsdam Agreement when Russia was allotted all "German assets" in her zone of occupation but without clarification regarding the scope of the term "German assets."

However, it is important to keep in mind that the Russian zone includes a large section of Austrian manufacturing industries but is dependent on outside sources for raw materials and food (the oilfields are the only exception). Sources of domestic raw materials including water power, basic industries (blast furnaces, steel mills, paper and pulp mills, etc.) are in the western zones as well as the remaining part of manufacturing plants most of which are tied to the raw materials they use. To be sure, most industrial corporations had their head offices in Vienna and their shares of stock were deposited with Viennese banks. But possession of offices and shares does not mean actual influence on plants located in the Western zones.

*The monthly report of the American Military Government in Austria include a wealth of data and information. But most of it refers to the American zone only and this limits sharply its usefulness. Those data which are really significant and refer to the whole country should be published in a condensed version and without delay (which is now considerable) for the benefit of students of Central European affairs in this country.

Can Austria Be Made Self-Supporting?

There has been a great deal of discussions during the last 30 years as to whether Austria (within her present frontiers) would ever be self supporting. The argument has never been settled. A main reason was that the level of a country's living standard is relative rather than an absolute fact.

After the First World War, the Austrian living standard was conspiciously low in comparison with her neighbors particularly Germany. This difference does no longer exist, at least for some years to come. The difficulties of extricating the Austrian economy from the territories of which it had been a part for such a long time were beyond a solution according to many expert opinions of the 'twenties. But separation has become a fact at last and there is little interest in joining the German economy even if this were possible. The people have finally adjusted themselves to live and work within the present boundaries. This is a very important matter from a psychological viewpoint.

In the economic field there are some favorable and some unfavorable developments in comparison with the period after the previous war.

The Austrian Oil Fields

On the favorable side of the ledger, there is a significant expansion of domestic productive resources. The much discussed oil-fields shall be mentioned first though they may not be the most important item, after all. Their present production is about 75,000 tons monthly and this is probably not the limit. How much of this output will be permitted to benefit the Austrian economy remains to be seen. At any rate, the oil fields represent an important new asset and should improve the Austrian balance of payments to a remarkable extent.

Austrian water power resources have been greatly developed during the interwar period and there has been some additional expansion during the war. A considerable portion of the output is exported mainly to Germany. The country's dependence on coal imports has been considerably reduced especially in the western parts of the nation. There is still much room for a vast expansion of power production and increased exports if the large amounts of capital required should be forthcoming.

New Industries in Western Austria

Finally, there has been a significant increase of basic industrial production during the war in Western Austria particularly in the American zone of occupation. The complex problem of these industries will be discussed later in this article.

Great War-Time Losses in Equipment and Manpower

On the unfavorable side are the tremendous destructions and dislocations resulting from the war and the depletion of stocks and resources, which go far beyond anything experienced after the First World War but, this time, affect almost the whole continent of Europe. Equally disastrous as the material losses is the loss of a large section of the country's professional and managerial talent. Many left the country after the Nazi invasion, many were exterminated or were victims of the war and others have been disqualified as Nazis. Similar difficulties are felt in all war-torn countries but they are particularly serious in the instance of Austria which is so much dependent on foreign trade and has in the past derived a considerable part of her national and foreign exchange income as an intermediary in trade and finance. It will take a long time to make up these losses unless assistance should be received from abroad.

Obviously, Russian removal of industrial machinery and her claims for a large part of the industry in Eastern Austria are greatly hampering efforts to rehabilitate and reintegrate the Austrian economy.

Very serious are dislocations resulting from social and political changes in countries which had close trade relations with Austria before the war.

Former Grain Exporting Countries Need Imports

Up to 1938, Austria was able to produce about two-thirds of her own grain requirements; most of her imports came from other countries of the Danube basin in exchange for manufactured goods from Austrian industries. On the other side, the Alpine regions of Western Austria had large surpluses of dairy products most of which was exported to Germany but were dependent on imports of feed stuffs.

No food exports can be expected from the Danubian countries for the time being. Romania, "the bread basket of Europe" is suffering from terrible famine and has now received some emergency food supplies from the United States. Hungary and Yugoslavia, both former large scale exporters of food stuffs have applied for funds to finance food imports after the expiration of UNRRA. These three countries accounted for some 85% of Austria's grain imports before the war and now are unable to make any contributions.

(These fundamental economic changes are not only the effects of war losses but also of shifts in the ownership of the tilled land. Hundreds of thousands of peasants have been transferred from one place to another, many efficient producers have been driven from their native countries. Large and well managed estates have been broken up and distributed to new owners who lack equipment, skills and often ability to adjust themselves to new and unaccustomed conditions.)†

All this results in spectacular reductions of production. The countries concerned, both former exporters and importers, try to get supplies from oversea sources. And the grain exporters lack also the industrial products they used to exchange for their agricultural surpluses. Thus the effect is an ever-growing dependency on outside assistance to make up the unavoidable results of political decisions.

Trade With Germany Almost at a Standstill

The situation of the countries which used to have large-scale trade relations with Germany has recently been given wide publicity by the Netherland Government. The case of Austria is very similar. Unless the conditions of German trade relations with her neighbors are modified in the near future and especially the provision for dollar payments changed (for all European countries are critically short of dollar exchange) the effects will be serious for all countries concerned and gravely hamper European rehabilitation.

†cf. Danubian Outlook: Prospects for Agriculture in the Jan. 4 issue of the London Economist for an interesting eye-witness report on present conditions.

The Coal Problem

There is no need to elaborate on the paramount significance of the coal problem for European rehabilitation in general. Yet there are some special features in the case of Austria. The country used to get more than 80% of its coal imports from the Moravian-Silesian fields which are now within the territories of Czechoslovakia and Poland. The Austrian market was important for those mines and their owners were extremely active during the inter-war period in opposing any extension of electrification of the Austrian railroads from that point of view. Now these sources have dried up almost completely. No Czechoslovakian coal is reaching Austria and very little from Poland. The country is dependent on Ruhr coal which is in short supply everywhere in Europe. Austrian railroads, utilities and industries are suffering from an extreme coal shortage.

Austria has large stocks of iron ore and considerable quantities were exported to Germany and Czechoslovakia in exchange for coke. No coke is being imported now and as a result pig iron production had to be discontinued altogether; only in August, 1946 was the first blast furnace put in operation with coke supplied from the steel combine at Linz. Austrian iron ore and steel production could make a considerable contribution to European reconstruction which to a large degree depends on sufficient steel production. But as a result of all these dislocations Austrian steel production is at a very low level and manufacturing industries are short of steel.

These few case studies furnish ample proof how politics tend to dislocate accustomed trade channels and to slow down production of much needed supplies. Economic considerations are pushed aside by political zeal these days to the detriment of innocent bystanders who suffer without being able to influence these developments, which, in turn, furnish some background information regarding the unexpectedly high applications for assistance and relief directed toward the west.

Austria's Economy Can Be Rebuilt

In spite of these enormous and often discouraging difficulties there is a reasonable chance to rebuild the Austrian economy and to restore gradually the pre-war living standard which was considered low at the time but now appears to the people as something highly desirable. The tempo and success of this rehabilitation, however, will be greatly influenced by the amount of foreign assistance Austria will receive during the next few years.

There is no chance that government grants or loans may equal actual requirements; in fact there should be no need for such large-scale governmental activity. The required amounts, which are small by American standards, should be provided for by American business. There are good reasons why American business should undertake these investments which do not entail any unconscionable risk.

It remains to be determined whether opportunities in Austria are at least not less favorable and preferably more favorable than those in other parts of Central Europe. In addition, there may be special reasons that may make investments in Austria particularly advisable to American business.

Austria's Key Position in Central Europe

There is now almost unanimous agreement that the United States has a strong interest in a stable and economically sound Austria. This interest has developed in recent years only and is something new in the field of American foreign relations. But it is well founded in the final realization of the key position held by Austria in the center of Europe a fact long recognized among Continental Europeans. This key position has become even more conspicuous in recent years. Once again, Austria is at the cross roads between East and West, politically, culturally and economically. The strong position Russia will hold as owner of many important Austrian industries in Eastern Austria will have to be balanced by similar foreign investments in the Western part of the country if its political and economic stability shall be permanently preserved. Here is a spot where the free enterprise system has an opportunity to prove its effectiveness and superiority to people who are doubtful or even hostile.

Fortunately, there are sufficient economic reasons to justify investments in Austria in addition to those mentioned before. These investments, however, should be undertaken on the basis of a realistic appraisal of the situation as a matter of principle to avoid disappointments later on. The balance of payments between Austria and the United States holds a central position in these deliberations. For there is no hope for real multilateralism in Central Europe unless and until Russia and the countries associated with her agree to join. This is particularly true for Austria; for her economic ties will always be mainly with Central and Eastern Europe and no attempt to divert them to the West could succeed. Yet these difficulties should not present a final obstacle but they suggest care in selecting objectives and procedures.

Austrians in Favor of Foreign Participations

The Austrian people will readily cooperate with foreign interests and probably more so than any other European nation. Austrians are not nationalistic in the sense of looking with suspicion on foreigners and foreign customs. On the contrary, they have been accustomed for centuries to adjust themselves to and to work with foreigners. The vast majority of Austrians are bound to the western world spiritually, politically and economically. They have opposed totalitarianism in the past and they will object to such forms of collectivism as may threaten individual freedom unduly. However, they do not favor vigorous competition in the American fashion but rather some form of regulated cooperation like that advanced by the Catholic Church. There will be definitely no obstacles to American participation in the Austrian economy as long as the people feel that their partners want long-range cooperation rather than quick profits and exploitation. American economic policies are closely watched abroad nowadays by those who oppose and resent them. American businessmen need to be aware of that situation and should avoid procedures that may give rise to justified complaints.

Western Austria Suitable For Investments

American investments should be concentrated in the western part of the country. Here are the main sources of raw materials and water power as well as the industries based on those resources. Moreover, these parts of the

country are much less dependent on trade with Eastern Europe than Vienna and its environs. In addition, there is little doubt that Russia would resent any large scale infiltration of American capital into a region which she will continue to consider part of her sphere of influence. For the Vienna rail and road junctions are an integral part of the Russian defense system between Stettin and Trieste. But this Russian position will not necessarily interfere with the attempts to make Vienna a leading trading post between East and West; there are indications that the Russians would look favorably upon such a development.

On the other hand, Russian interest in the western parts of Austria is almost non-existent. Moreover, this part of Austria has a common border with American-occupied Bavaria all the way from the Czechoslovakian frontier to Lake Constance. Even when American troops will have been withdrawn across the border, the very fact that they are so close on hand will not fail to increase confidence among American investors and at the same time have a healthy influence on Austrian domestic policies especially in the Western provinces.

These parts of the country particularly Upper Austria (now occupied by Americans) have increased their position within the Austrian economy during the last decade. Industrial capacity has been expanded considerably. Large plants for the production of steel, aluminum, nitrogen, artificial fibers, etc., were constructed during the war most of them based on domestic raw materials.

There have been proposals to dismantle these new plants or to reduce unduly their productive capacity in view of the fact that they were constructed for war purposes. However, those plants that can be readily used for peace time production should be kept in operation and fully utilized to the advantage not only of Austria but of all Continental Europe. If they should be kept under American management and control there could be no suspicion of any possible use for war preparation and these plants might form the nucleus for a large scale industrial development in the center of Europe under American management and financed with American capital.

There has also been a remarkable shift of population from Eastern Austria into the American occupation zone (Austria's "Golden West"). More than 50,000 "displaced" Austrians from the eastern part of the country are in the American zone, most of whom are being gradually absorbed into the local communities. Even a number of smaller plants have been "unofficially" transferred to the American zone with their equipments and their workers. These developments show more clearly the true feelings of the Austrian people than any "official" statements could do.

Possibilities for Expanding the Austrian Balance of Dollar Payments

As pointed out before, American investments should be closely related to the balance of dollar payments to avoid any clogging of transfer channels. Those investments that may lead to an immediate expansion of that balance, therefore, deserve particular attention and shall be examined first.

Austrian raw materials that may be needed in this country naturally hold a leading place in these endeavors. Two Austrian raw materials may belong to that category. One is *magnesite*, which has always been among the most important Austrian export products. Yet these exports had a tendency to decline during the decade before the war probably as a result of changes in technical procedures. Only an expert inquiry could determine whether an increase in these exports is feasible.

The other possible material for export is *pulp and paper products*. Austria possesses large forests in the Alpine regions; lumber and its products had always an important share in Austrian exports, but those to America were insignificant. There are certainly obstacles to any large-scale expansion of these exports. However, in view of the tremendous volume of the American market, an investigation would be worthwhile to determine which changes in Austrian production methods would have to be made to permit Austrian exports to fill a very modest quota of the American demand. Possibly, lower wages may be able to offset additional freight charges to the nearest sea ports if American capital and know-how could be made available.

The second important group of Austrian exports to America that may be capable of remarkable expansion consists of *novelties, leathergoods, knitted goods* and other merchandise representing high artistic and professional skill. This production has always been concentrated in Vienna and has been mainly performed in small plants whose owners did not have sufficient capital and experience for any large scale export drive. Some American department stores had buying offices at Vienna but the total sales to the United States were hardly significant. Meantime, a large part of the pre-war organization has been dissipated. A considerable number of the manufacturers have emigrated to this country and some were quite successful in resuming their previous activities.

It the experience of these men in the fields of production and selling could be associated with ample funds to finance raw material purchases and production, as well as an adequate merchandising effort in this country, there is considerable chance to open a large new supply of dollar exchange for the benefit of the Austrian economy which, in addition would take advantage of employment possibilities for a great many people in Vienna.

Tourist traffic is a third item that may be expanded quite considerably. In the past, Austria had only a very small share in the expenditures of American tourists in Europe. The customary European tour did not include Austria but was restricted to Western Europe and Italy. Only the Salzburg Festivals attracted a larger number of Americans during the 'thirties. During the war many of the pre-war facilities, which were already inadequate by American standards, have deteriorated still further.

An American organization which would guide Americans to Austria and, at the same time, would invest the necessary funds for constructing up-to-date facilities could earn large profits to American promoters and investors as well as to the Austrian balance of payments.

In all the cases discussed so far, there would be no transfer risk to the American investors. For payments would be made in America in U. S. dollars and the American organizations would thus be in a position to deduct their share in advance before freeing the remaining profits for transfer to Austria. Moreover, these profits might serve as convenient collateral to secure other American investments in Austria which would not lead immediately to the creation of dollar balances.

There may be many more possibilities for expanding Austrian exports to the U. S. But those mentioned seem to be the most important ones which could be developed within a comparatively short time. Moreover, these imports would offer no material competition to American production and thus should not meet any opposition from that camp.

American Branch Plants in Austria

A second group of American investments would not be designed to improve directly the Austrian balance of dollar payments but rather strengthen the Austrian economy by expanding the use of domestic resources of materials and manpower. This, in turn, may lead to an increase in Austrian exports and a general improvement of the living standard. American investors and industrialists, on the other hand, may find a profitable outlet for their funds and products without undue risks as long as their investments are kept within appropriate limits.

American investments may be based on such domestic resources as water power and iron ore. Only a portion of the former have been exploited so far. European sources of water power are limited and with declining output of coal mines the demand for additional power is almost unlimited. By providing capital and technical skill for the exploitation of Austrian water power resources, Americans could make quite a remarkable contribution toward the revival of Europe's economy and, at the same time, gain an important foothold in one of the key spots of that economy.

The Austrian iron and steel industry holds a position similar to water power. With additional funds and know-how available from America, this industry could be rehabilitated and expanded for the benefit of the whole continent which needs such large amounts of steel for reconstruction. As pointed out before, American influence upon industries like steel, aluminum or nitrogen production would be the best safeguard against any conceivable abuse of these basic industries.

In connection with steel and aluminum, the organization of American branch or assembly plants may be attractive to manufacturers of durable goods who require large export outlets for their products. These plants could be designed to serve all of Central and Southeastern Europe. As many parts as possible should be produced from Austrian domestic resources, if cost calculations should make this feasible, to integrate the plants into the Austrian economy to the largest possible extent.

The small European countries of Central and Southeastern Europe will not be able to produce durable goods at prices that could attract mass markets. By using modern American techniques this aim may be gradually approached to the great advantage of all Europe.

Free Enterprise Has An Opportunity to Prove Its Superiority

This brief sketch of actual conditions and possibilities for expansion in Austria is designed to call the attention of American business to a unique opportunity that may represent a turning point in the present struggle between free enterprise and collectivism.

Here is a real challenge to American private enterprise. It can use a section of a small country in the heart of Europe whose remaining territories will be dominated by totalitarian ideologies to show through deeds rather than through words what American techniques and know-how are able to perform for the benefit of all nations. It would be difficult to refute facts visible to everybody even with broadsides of propaganda.

Of course, investments in Central Europe are not without risks. But it has been shown that these risks can be held within reasonable bounds and rewards should be conspicuous not only in money (which is quite important) but beyond that in a chance to reassert free enterprise where it is challenged most strongly and most ruthlessly. If the results should be favorable in spite of predictions to the contrary from hostile groups, the effects would be world-wide and of very great importance. Thus the problem of private investments in Austria should be considered carefully by leaders of American business.

Glore, Forgan Offers Cory Corp. Common

Glore, Forgan & Co., headed a nation-wide group of underwriters which made public offering March 11 of a block of 177,000 shares of $1 par common stock of the Cory Corp., priced at $10 per share. The financing represents stock of certain stockholders and officers of the corporation, who are disposing of a portion of their holdings. It is the first opportunity the public has had to participate in the ownership of Cory Corp.

Capitalization consists of $1,000,000 shares of common stock, 646,250 shares are outstanding, including the block being marketed. A bank loan of $300,000 is due July 2, 1948. Directors have declared an initial quarterly dividend of 17½ cents on the common, payable June 1 to stockholders of record May 10. They plan to continue payments on that basis as warranted by business conditions.

The corporation is made up of two separate manufacturing and sales Divisions. One is the Cory Glass Coffee Brewer Division—the other, the Fresh'nd-Aire Circulator Division.

Rapid growth of the Cory Division is due primarily to the development of new and exclusive features. Noteworthy among these is the Cory Glass Filter Rod, of which nearly 20,000,000 have been sold to date. The company has now developed a new Domestic Coffee Brewer which eliminates the need of rubber parts. This model is said to be the only all-glass coffee brewer on the market. Cory Corp. has also developed a new Domestic Automatic Unit for home use.

Cory Corp. has made a rapid rise to industry leadership under the present management, with earnings increasing materially during recent years. Net profits, after all charges and provisions for taxes in 1946, amounted to $1,146,785 for both the Cory Glass Coffee Brewer Division and the Fresh'nd-Aire Circulator Division.

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of Jan. 31, 1947, and show that the money in circulation at that date (including of course, that held in bank vaults of member banks of the Federal Reserve system) was $28,262,149,666 as against $28,952,436,702 on Dec. 31, 1946, and $27,917,081,002 on Jan. 31, 1946, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, the total was $3,459,434,174.

Wm. Ede Jr. Forms Firm

SAN FRANCISCO, CALIF.—William Ede, Jr., & Co. has been formed with offices at 482 California Street, to engage in the securities business. Partners will be William Ede, Jr., member of the San Francisco Stock Exchange, and Alexis L. Ehrman, Jr. Mr. Ede was formerly a partner in Holt, Collins & Ede. Mr. Ehrman in the past was a partner in Strassburger & Co.

Proposes Return To Gold Standard

(Continued from page 1387)

panies, the safety of the savings for the future of our families and children, demand it. The monetary systems of the rest of the world, likewise, are much concerned about it.

"I claim no pride of authorship for these thoughts. Others too share them, I believe. I seek only to urge effective action before the erosion of the past 15 years will have eaten away the very supports of our institutions and government. I respectfully submit the following and request that it be referred to the distinguished Committee on Currency and Finance for their early consideration.

"RESOLVED, that the Committee on Currency and Finance be requested to investigate and report upon the desirability of adopting the following Resolution:

RESOLVED, that the Congress of the United States, now in session, be petitioned to restore the status-quo-ante, 1932, in respect to those currency and banking acts, rewritten upon the accession to power of the New Deal, in that year, which would require the repeal of those sections of laws indicated below:

31 USCA Sec. A 311a, 316a, 316b, 405a, 448-448e, 734a, 734b; (the Silver Purchase Act of June 19, 1934) Sec. 314, 316, 316c, 821, 822a; (the Silver Purchase Law of July 6, 1939, if not now entirely repealed),

31 USCA Sec. 734 (Gold Reserve Act of 1934, Sec. 8).

31 USCA Sec. 733 (Gold Reserve Act of 1934, Sec. 9).

Pub Res No. 10, June 5, 1933 (the "legal tender" act, which apparently is in conflict with 12 USCA Sec. 413; and would reestablish the coinage of gold and silver, (excepting change, however, in the present prices thereof),

"Mr. President, the subject is technical and somewhat involved, as there is conflict, or ambiguity, in places, in the particular laws concerned. However, your Committee is able and well informed. The Chamber previously is on record, along these lines, in November 1933, and October 1934, during the notable administration of our distinguished speaker of today, whose message we eagerly await. The United States Chamber of Commerce, the Federal Advisory Council of the Federal Reserve Board, the National Foreign Trade Council, the National Association of Manufacturers, the Association of Life Insurance Presidents, and other organizations, also acted somewhat similarly, about that time. Since then, until now, discretion appeared the better part of valor.

"I shall be glad to provide a memorandum in detail, covering the facts, and the reasoning upon which is based the foregoing, the need for which action is both vital and imperative. Maybe our patience and restraint have not been in vain. During the past dozen years and more that grand old gold eagle—his wings had been clipped and his head hidden in shame. But soon he will fly free once more, proclaiming to the world that again, when we point to the motto on our coins, which reads "In God We Trust," we can add proudly "and in the American Dollar, too."

"I move the adoption of the Resolution."

Monasch & Co. Opens

SAN FRANCISCO, CALIF.—David Monasch, Jr., is resuming the investment business from offices at 256 Montgomery Street. He is general partner in the firm of Monasch & Co.

gitized for FRASER
http://fraser.stlouisfed.org/

No Authority for Pegging Interest Rates

(Continued from first page)

lishing control over the costs of Treasury borrowings, and in the education necessary to convince the country that the war would not be financed under a rising trend of interest rates, the Treasury, with the cooperation of the Federal Reserve System, pegged interest rates at maximum levels and thereby caused an unwritten amendment to be added to the Federal Reserve Act. This amendment was never passed by Congress. It is best that this was not done because, in the calmer light of peacetime, we have a better chance to return to our pre-war concept of a proper relation between politics, banking and credit. Be that as it may, the amendment was unwritten and it can be stricken out in the same manner in which it was inserted. Most of the discussion about patterns of interest rates, the monetization of Public Debt, and the present lack of effective control by the Federal Reserve over the volume of bank credit extended, is a consequence of this wartime usurpation of power by the government.

The Federal Reserve Act specifically prescribes that the open-market operations of the Federal Reserve Banks shall be governed as follows:

"The time, character and volume of all purchases and sales of paper described in Section 14 . . . as eligible . . . shall be governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country."

This is the actual authority. We may grant that the Wartime procedures might have been necessary during the early phases of Reconversion. Rightly, or wrongly, however, virtually all of the Wartime powers (written or unwritten) have been removed or are in the process. This unwritten amendment remains. There is nothing in the Federal Reserve Act that states that the Reserve Banks should attempt to peg the Treasury securities markets in order that Treasury interest costs shall follow the desires of any political philosophy. To continue the wartime procedures at this time seems inconsistent with our actions in other fields and to fly in the face of the Board's statutory authority rather than to conform to it. It is time that this situation was ended; that the Federal Reserve give more weight to the Congressional statutes, and that the necessary cooperation emanate from the Government, and less wholeheartedly from the Federal.

Banking and Credit Insulated From National Politics

You will note that I have differentiated between the government and the Federal Reserve System. The Federal Reserve Act is replete with such a differentiation. I think that it is clear that the authors recognized the teachings of history which clearly warn that individual economic and social freedoms depend upon insulating banking and credit from national politics in the *maximum* practical degree. One of the dangers of a Public Debt as large as ours is that the management of it increases the difficulties of avoiding an unwise infiltration by a political government into our private banking system. The private character of these institutions represents the heart of our private capital economy. Under all of these circumstances it was disturbing to see the Board of Governors so clearly outline the situation in their annual report, then resort to recommendations which would cause the Federal to virtually operate, rather than to supervise, some 15,000 banks. It has been encouraging to witness the resurgence of an independent spirit on the part of other Federal Reserve bankers. I said earlier that the unwritten Wartime amendment can be removed just as it was inserted. I hope later to outline a start in that direction.

We must first recognize that politics, as well as the War emergency, are responsible for many of our difficulties with interest rates, debt management, and control of credit. It was quite clear during the War that two phases of the War financings were building up pressures — not toward higher interest rates, but for higher living costs. First, was the large scale absorption by the commercial banks of Treasury deficits. This was on a direct and an indirect basis. Second, was the rigidity with which the short-term rates were held materially lower than longer rates while banks, and other investors, lost all fear of higher interest rates and were more than willing to acquire the higher yielding securities. The volume of bank deposits thus created was *largely* determined by the size of the Treasury deficits — not by the banks. The indirect method of lodging the Treasury's residual financings had the additional effect of further lowering rates. Political considerations seemed to inspire a desire to attain a low record interest cost for these financings. To achieve this, the less popular lower rate issues were literally forced down the throats of bankers who preferred longer ones, while the Federal Reserve stood by to take care of the indigestion. Politics then intervened to prevent changes in this pattern of rates. Sanity showed its face with Vinson's refusal to force this rate lower. Politics is today responsible for the fact that measures are not underway to remove these Wartime controls.

Pegging Procedure

You are familiar with the manner in which these war powers of the government operated and still operate. The Federal Reserve System stands ready to buy securities from the commercial banks under an open-market procedure which bases largely on the objective of protecting the Treasury's ⅞% Certificate rate. The consequences have been condemned by the Chairman of the Federal Reserve Board, and by many others. The Chairman, however, is still "satisfied" with the ⅞% rate. As individual banks operating on the basis of their particular situation, sell such securities to the Federal they obtain Federal Reserve funds which, at their option, may be used to purchase securities from non-bank investors or to make loans in an amount about 5 times larger than the volume of securities sold.

Currency Elasticity Destroyed

I would like to make one more comment on this phase of things. One of the stated purposes of the original Federal Reserve Act was ". . . to furnish an elastic currency. . . ." The currency of this country is largely measured by check-book money. As long as the open-market rate for Treasury Certificates stays at about the same level as the Federal Reserve's and the Treasury's peg, it seems to me that we have a currency with only a "one-way stretch." We should be able to find a way to regain a greater degree of elastically in our currency.

We know that these matters are profoundly technical. It is most difficult to achieve a proper understanding of the subjects involved in the Congress or throughout the country. This means, therefore, that changes in the status quo will be circumscribed by definite limitations. These are of a political and a public character.

Perhaps I should add that recriminations of bankers, investors or dealers serve no constructive ends. There is no corner, either within the ranks of government or without, on morality of purpose, on the sincerity of concern for our national welfare, or of the ability to evolve the more effective and appropriate courses of action.

Next I wish to admit that it seems almost impossible, in view of the political and public considerations, to produce a full or even reasonably full answer to the complications which debt management places in the path of assuring to the Federal Reserve, that it can confidently proceed to discharge its duties with respect to "the general credit situation of the country," and "to establish an elastic currency." But I am confident that we can start a return to this order of things and that we should delay no longer.

Reduce Monetization of Debt

The commonly accepted approach for moving away from our unlegislated changes in the position of the Federal Reserve seems to emphasize the desirability of reducing so-called monetization of the Public Debt. I would go further, as you can see, and provide for a more effective return of the Federal to the ostensible purposes of its functions. This requires me to emphasize a point of technique.

It has been suggested by recognized authority that we should "defrost" short-term rates. If this means that we should unpeg the Treasury Bill rate, and eventually refrost the Certificate rate at 1% instead of ⅞%, I don't think we could rely on this to do much of a job. If the open-market rate moved up to the new peg, the ability of the Federal Reserve to contract credit would not be measurably increased over what it is today. It is possible that we might witness a return flow of currency and an inflow of gold that would cause the Certificate rate to move away from the ⅞% (or 1%) peg toward lower yields. In such event, the Federal Reserve might be able to sell some of its holdings and provide a "two-way stretch" currency at least to the extent of preventing these funds from broadening the credit base. But—the area of action available to the Federal would be too narrow.

A 1% Rediscount and Certificate Rate

On the other hand, if the Federal Reserve Banks maintained a rediscount rate of 1% and the Treasury were willing to see its Certificate borrowing costs move up to 1½% (if necessary) we would have measurably increased the Federal's area of action. It is my judgment that, at this time and for some time, the open-market rate for Treasury Certificates would tend to stabilize at a point not materially above the rediscount rate—1%. A number of bankers believe it would stay right where it is or move lower. The point is that the Federal would be able to more effectively contract credit under these circumstances than would otherwise be the case.

I would like to emphasize that such a circumstance does not envision affecting credit by changes in interest rates. The Federal Reserve has $24 billions of Treasury securities. If it could obtain a larger area in which to engage in open-market activity, then the volume of securities held would give it ample powers. That is the essential difference between defrosting, refrosting and what I term "limited decontrol."

The Treasury's Position

This brings us back to politics. Can the Treasury afford to increase its short-term financing costs to 1½%? When *any* increase in rates is suggested Washington officials always ask — "What can we tell the boys on the Hill?" My answer today is that we can tell them the facts—the facts about interest costs on the Public Debt. I hope to prove that a new peg of 1½% would not serve to increase the Treasury's interest costs. I have already illustrated to you how such a new peg might be sufficiently high as to return to the Federal Reserve some capacity to discharge its legislated responsibilities.

The estimated interest cost for the fiscal year of 1947-48 is $5 billions. This is made up of three principal elements. The first of these is that paid to Treasury trust funds and agency accounts. The second is that attributable to Savings Bonds. The third is that which is paid on the *publicly-held* marketable debt.

In the year 1946 the Treasury paid to its trust funds and agency accounts some $500 millions of interest on special issues. In addition the funds received interest on about $6¾ billions of marketable securities. According to our estimates the 1948 total figure of interest should total $700 millions or more. Over succeeding years the total payments will show further substantial increases. It should not take many years (under existing practices and requirements) for the total to materially exceed $1 billion. Some of these funds receive interest currently at 2%, others require more favored treatment; i.e. at rates up to 4%. For example: The Government Life Insurance Fund receives interest at 3½%. The National Service Life Insurance Fund receives 3%. But this is not all of the story. The interest which is paid to most of these funds amounts to a compound interest. The interest payment of one year is capitalized into new debt and, in the succeeding years, the interest must be paid on the original investments plus these increments of capitalized interest. This theory of Government investment in its own securities was devised, in most cases, to provide a means by which they could earn on their assets and reduce the direct appropriations needed but, in essence, the result is to create a series of indirect appropriations. The benefits are not always general. Some go to special groups. If the appropriations were not made under the guise of "Interest on the Public Debt" they would have to be made as direct appropriations to the particular accounts or their enacting legislation changed. The whole theory of trust fund and agency account investments should be re-examined. It seems to me to be misleading, however, to have the interest payments to these funds included as an item of Interest *on the Public Debt.* Certainly there is only an indirect relation between this interest cost and interest rate and credit problems.

The second element is the amount of interest appropriated for the account of Savings Bonds. Treasury accounting procedure includes in the annual interest appropriation the difference between the redemption values of discount Savings Bonds at the end of one period and the redemption values at the end of the prior period. Since the schedule for redemption values accelerates, the amount which will have to be appropriated in succeeding years should be substantially higher. This assumes, of course, that no particular change occurs in the amount, or series distribution, of the outstanding issues. We estimate the 1948 appropriation for interest to be almost $500 million below that which would be the case of Treasury accounting procedure figured E bonds at their 2.90% yield to maturity. Again there can be very little relationship between this element of interest cost and the changes outlined for short-term interest rates. These securities tie into the longer-term 2½% rate.

The third element of interest is that paid to the public holders of marketable debt. This can be measured on a basis which includes, or excludes the Federal Reserve holdings. In recently commenting on the desirability of unpegging Treasury Bills, Mr. Eccles suggested an indirect means of taxing away any excessive earnings of the Federal Reserve Banks. While this method may be less desirable than a reenactment of the franchise tax, which was a part of the original Federal Reserve Act, either would remove Federal Reserve holdings from the earnings impact of a higher short-term rate.

Excluding the Federal Reserve holdings, the average weighted cost of interest on *marketable* Treasury obligations due or maturing within 5 years is about 1.60%. For some time the Treasury has indulged in a policy of refunding all such issues into Certificates bearing interest at ⅞%. Thus present refunding policies are steadily reducing the payments to public holders of marketable debt, while Savings Bond interest continues on its original schedule, and payments to trust funds, etc., are increased.

The first point of agreement that would be necessary in order to permit the new peg for Certificates to be set at 1½% is that the Treasury, and Congress, be satisfied with the *present costs* on the currently outstanding total of *marketable* debt. It is not necessary to defend a plan which would create *higher* interest costs. The only other point of agreement necessary would be that interest rate and refunding policies will not be combined in an attempt to *reduce* interest payments while adhering to a policy of rate stabilization.

Low Short-Term Rate Unstabilizes Interest Rates

It seems to me that the average person might be justified in the inference that a policy of stabilizing interest rates implies that the level of interest payments on a given total of debt are low enough—at least for the common good. I go along with the view that reductions in debt should be made via bank-held securities. But I can't go along with a policy aimed at stabilizing interest rates which is then combined with a refunding policy which reduces interest costs without retiring debt, and thereby tends to unstabilize market yields. Holders of short-term securities seek to recover the loss of income that is entailed in the refunding policy by buying longer securities in the market and thus depressing market yields. It is small wonder that Chairman Eccles foresees a future trend toward lower market yields.

Now I would like to comment on two points. The first concerns Government accounting. Two offsetting items cannot be lumped. This is probably standard accounting procedure but it doesn't change the facts of life which are as follows: Treasury interest payments are taxable. One estimate that we have heard of the effective rate was about 30%. If this is correct, then the real cost of our third element of interest is less than 2½ billions or one half of the total gross appropriation. This is the real cost of the debt that can be directly affected by Treasury and Federal Reserve policies concerning interest rates.

The second point is that the interest costs on the debt are going to rise no matter how persistently the Treasury continues to refund with ⅞% Certificates. I might digress to repeat that the further that the Government persists in this refunding policy at the ⅞% rate, the more it increases the problems of stabilizing interest rates. Eventually it meets up with the necessity of increasing

its costs by offering higher coupon securities. The increase in the interest payments called for by the investment requirements of trust funds, etc., will alone far outweigh decreases in payments to the public on marketable securities which come from refunding debt costs of about 1.50% into ⅞% issues and occasional offerings of longer securities. When one must add to the increasing cost of interest to trust funds, the increasing costs of servicing Savings Bonds, the possible offsetting reductions via refunding policies appear even less effective.

So much for the politics and arithmetic of interest payments. Now to another political consideration—commercial bank earnings. The Chairman of the Federal Reserve Board has predicted that the net earnings of commercial banks will drop by more than 25% in 1947 relative to 1946. To this one may add other considerations. The present level of loaning rates provides a relatively low gross annual income from loans with which to absorb any higher per annum rate of loan losses. The effect of these losses, when they come, in decreasing net earnings may well be a sharp one. Higher rates for Treasury Certificates would benefit operating earnings. Simultaneously, however, the average market level will be composed of lower prices—hence bond profits may be quite small. They have been quite large. Therefore, the trend of bank earnings to lower levels should mitigate this political problem.

Effect of Higher Rate on Bank Holdings

The other consideration is an indirect result. If short-term rates are increased, loaning rates should increase. Then commercial banks will be less inclined and less able to compete as strenuously as they are today with the various savings institutions for longer-term loans and securities. This would reduce the pressure on these longer rates.

Now for one other item which may be partly political. This is the "fear" of making changes. We need *some* "fear" in order to decrease the demand for intermediate and longer Treasury securities. Today investors buy intermediate and longer securities without qualms. They seem to measure only their income needs. The liquidity of various maturity sections is considered virtually the same as far as the investment portfolios are concerned. But unpegging short-term rates would produce no market calamity. How can an undue degree of fear enter into a five-year security at 1.50% or thereabouts if the new peg is to be maintained at an equal figure? As long as any peg exists the degree of fear is reduced.

Out of consideration for your time, I should draw these comments to a close. I shall not attempt, therefore, to comment on other suggestions; i.e., the desirability of offering long-term 2½s to achieve stabilization; Mr. Eccles comments on marketable versus non-marketable bonds; on the validity, or rather the large lack of validity which suggests the refunding of short-term debt as a conservative course, or anti-inflationary implement, and so forth.

I have tried to illustrate that the arithmetic of interest costs weighs against any objections to increasing the Treasury short-term rates. We can see that a new peg of 1½% would mean that the Treasury would refund at such a rate if market conditions required. This would be in lieu of refunding at ⅞%. Since, however, the costs of such debt due or callable over the next five years is about 1.60%—no increase in Treasury interest costs during such a period could be related to this increase in short-term rates. We can see also that the increased interest costs which will inevitably arise, base on debt considerations which are beyond the real control of the Treasury. I trust that I have drawn clearly the manner in which our wartime needs continue to thwart the purposes for which the Federal Reserve System was created. As bankers you can judge whether I am correct in believing that, based on money market consideration, these suggestions might widen the area throughout which the Federal Reserve might more successfully pursue its responsibilities. I do not claim these ideas constitute the only desirable workable mechanics. I must emphasize, however, that the methods followed and the technique employed are of the utmost importance in achieving the desired result. That result is to strike out the unwritten amendment to the Federal Reserve Act which was an exigency of War. It now is a heritage. It can be removed, just as it was inserted, by the combined actions of the Treasury and the Federal Reserve System. Of all the wartime powers this has proven and remains—one of the most dangerous to our economy. At this time, when we cannot move too far, we should be sure that we move in the right direction.

National Debt, Interest Rates and the Saver

(Continued from page 1374)

they adopt laws and regulations that govern what citizens who are creditors of the government can do. National debt is just as serious as private debt, perhaps more so, but its impact is different.

Fortunately, the government debt of the United States is not out of control—not yet at least—though a crucial test is taking place in the halls of our Congress today as our legislators and government officials discuss the 1948 budget. It is no time for complacency, and we need to apply our best intelligence to see just exactly what the dangers of the debt are in this country, and what we ought to do to meet them.

The dangers of the debt and its threat to us may be classified under two headings: (1) the dilution of the dollar, and (2) the strangulation of the economy.

Dilution of the Dollar

The dollar has been diluted by vast war expenditures. The essential of the matter is that currency and bank deposits have been increased far faster than the country's volume of business and production. Normally, in this country, the volume of money has been much less than half our national annual income. Today it is 75% of the total income. This is an enormously powerful inflationary force. So far we have been moderately successful in holding it in check in one way or another, partly by price controls but mostly by the good sense of the American people who have refused to be stampeded into fear about their money and have been willing to save some substantial part of their increased accumulations of money rather than pouring them into the market for goods at constantly higher prices.

The problem of whether or not this vastly increased money supply, this diluted dollar, gives us price inflation, is fundamentally a problem of the psychology of the American people, the way people use their money. We are not out of danger and recent increases in agricultural prices signalize the danger.

The Smothering of Enterprise

The other danger is to the vitality of our economic life. Just as in private life debt is like a leech which drains off some of the strength of the debtor, so in public life a high national debt is a constant drain, and unless handled with great wisdom, may devitalize the economy of the country and cut down its vigorous growth and energy. This debilitating effect of debt operates in three different areas:

(a) The drain of taxes
(b) The distortion of interest rates
(c) Excessive government controls.

With this group of people interested in savings I shall discuss only the second of these dangers—distortion of interest rates.

The Distortion of Interest Rates

Because of the burden of interest on the debt and its pressure on the budget and taxes, the natural reaction of every government official or politician is, "Let's reduce the rate of interest and so keep down the taxes we have to collect to pay the charges on the government debt." Today we have the lowest interest rates the country has ever experienced. The President of the United States has announced a policy of keeping these rates at low levels.

On the face of it this may look like simple common sense, but it needs thinking about, for when the government uses its powerful instruments to reduce the interest rate on its own securities to these low levels, the act affects not alone government securities but the rate on every lending operation in the country from bank loans to railroad bonds and mortgages. Today what is happening is that as fast as these various contracts mature they are succeeded by new contracts at lower rates; so that the country's whole interest rate structure is being brought down to lower and lower levels. We need to think carefully about the effects of this tremendous operation.

First, perhaps we ought to ask how far the government accomplishes its purpose of saving money, for it must be remembered that the government is not just a payer of interest, but through its tax system is a beneficiary of interest payments and dividend payments made in the country, for the government takes its slice of the people's income. So when interest rates are reduced the government slice is smaller. While it would be almost impossible to compute exactly how much the government loses in this way when interest rates decline on the 75 to 100 billion dollars of private debt outstanding, a substantial part of what is gained in the lower rates, the government loses in taxes.

There are other effects of a low interest rate policy enforced by government controls:

The lowering of interest rates reduces the income of one group of citizens as much as it improves the financial position of another group. It means the transference of money from one group of citizens to another, and we ought to think pretty carefully about who is benefited and who loses. The people who benefit are the borrowers of money; that is, it is a little easier for the business man to borrow for his enterprise, and that goes on the plus side. It means it is easier to borrow money to build a house, and that again goes into the plus column, for both have a mild tendency to stimulate business and building.

On the other side of the ledger, the people who lose are all holders of life insurance, and this means three-quarters of the families in the country. At low interest rates their insurance costs them more and so low rates limit the provision that each householder can make for his family in case of his death. This is heavily on the minus side.

Another loser is the man or woman who is trying to save out of his income enough money to provide himself with a pension or retirement allowance. Interest rate declines have reduced his capacity to provide for his old age. The same amount of saving will today buy him a pension perhaps three-quarters as great as 15 or 20 years ago. This affects millions of people and is heavily on the minus side.

Low interest rates reduce the income of colleges, foundations, and charities from their endowment funds. This reduces the funds available from this source for education, research, and philanthropies. This is on the minus side.

Low interest rates penalize the operation of savings banks, building and loan associations and other agencies which are the custodians of the people's savings and have forced them to cut down the service they can render to the common people of this country.

Broadly speaking low interest rates have made it less attractive for people to be thrifty and make their own provision for their emergencies and their old age, and have driven them back to rely more and more on their government. This is on the minus side, not just financially but morally, for the right to save and provide for one's self and family by one's saving is a human right, just as precious as the right anyone may have to borrow money cheaply.

Perhaps even more important than the actual level of money rates is the effect on the country's economic well-being of changes in interest rates. The present disposition to freeze interest rates and prevent any fluctuations as a mechanism for avoiding increased interest charges to the Government changes the pattern of economic forces as they have usually operated in a free economy. These are large words and need explanation.

The economic writings of today constantly emphasize the danger of booms and busts—the danger of the business cycle with its period of prosperity followed by depression. The greatest tragedies in American business life and the tragedies to the wage earner have been the great depressions. The worst of all was that of the early '30s, and it brought untold damage. There appears, in fact, to have been a tendency for business depressions to deepen in recent years, and correspondingly, for the booms that have preceded the depressions to go higher. People in distressed countries abroad are worrying whether the United States will go into a postwar depression, for such a depression would be a frightful handicap to recovery all over the world. We must somehow learn to resist booms and busts, for they stop progress and drain away the vitality of the country's economy.

Now the fact is that raising interest rates has historically been one of the accepted methods of checking the excessive booms in business which precede busts. Similarly, the instrument of open market operations, or other means of tightening up the volume of credit, has been an instrument supplementing rate changes and inevitably brings about changes in market rates.

If we freeze interest rates at their present levels and give them no freedom to fluctuate, we are throwing overboard the principal methods by which civilized countries have in the past tried to prevent the booms and the busts of business which do so much damage. To freeze interest rates is a little like locking the policeman in the jail. This policeman has indeed sometimes made mistakes, but in other cases he has performed well. We ought not to lock him up before we find another.

There have, it is true, been other proposals for methods of restraining the fluctuations of business, which we call the business cycle. In particular, there is the proposal for fluctuations in Government spending, which may be called the theory of the "compensatory budget." No matter what virtues this theory may have, it is still only a theory, and it would seem a rash thing to throw overboard a proved method, in fact practically the only one which has had the test of experience, for dealing with business cycles, and rely exclusively on methods which are still in the theoretical stage. In the struggle for economic stability we need every weapon in the armory.

For all these reasons we should do well to avoid commitments to freeze interest rates at any level and should leave them some flexibility in responding to the forces of the market and the necessities of credit control by our Federal Reserve System.

In summary, the real dangers of the debt are not the outbreak of some cataclysm, but rather its dilution of the money supply and its devitalizing of the active forces in the country's economy. The freezing of interest is likely to have this tendency.

What to Do—A Program for Debt Management

There are two aspects to the problem of debt management. One of these is the technical problem of dealing with the debt itself and its financial phases. The other, and even more important, is to take every possible step to assure dynamic, vigorous economic life. Even though we were technically wise in handling the debt, it would be futile unless the country is strong and has a large national income with which to pay the service of the debt. If each family is to carry its share of the national debt, that is a debt of about $7,000, that family must have a good-sized income to meet its share of the interest and some payment on the principal. How much debt we can carry depends on how strong we are. We must deal with both the technical problem and the broad problem of the national well-being. The technical things that we do with respect to the debt also affect the vitality of the business machine—the goose that lays the golden eggs—and while we shall here discuss mainly the technical side of debt management, we shall be glancing over our shoulder frequently at the larger question of the national income.

Control the Budget

The very first step in dealing with the debt is to get the national budget under control, for the budget is seriously out of control. The President has presented to the Congress a $37½ billion budget. This has come to the country as a great shock and disappointment. This budget is four times as much as in the biggest spending years in the '30s. The budget would provide for the Government's controlling and spending nearly 25% of the national income of the United States. Even this huge budget makes no real provision for even a beginning at reducing the national debt, for it shows only two hundred million dollars of surplus. There is no use in even discussing other methods of managing the national debt until this hurdle has been cleared, until somehow the national budget is reduced to a point where a beginning can be made on debt retirement, and where the terrific load of taxes can be reduced at least somewhat.

The country is now in the midst of a business boom, with a national income almost twice as high as before the war. This boom is supported by a huge accumulation of readily available funds as a result of war financing, coupled with a large deferred demand for goods, for houses, for machinery, and for all types of durable consumption goods. This combination creates the boom. We cannot expect the boom to continue. Therefore, a

(Continued on page 1412)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

National Debt, Interest Rates and the Saver

(Continued from page 1411)

budget which is barely balanced at a tax level which is confiscatory in its upper brackets, and places a serious burden on all the people and on business, is clearly a budget out of control, and the country's first task in any program of debt management is to reduce budget expenditures.

A careful study of the matter by the Committee on Postwar Tax Policy, headed by Mr. Roswell Magill, formerly Undersecretary of the Treasury, recommends a reduction of the budget by six billion dollars, and describes how that can be done. Clearly some such reduction is necessary, for the budget as presented by the President, based indeed on many laws passed by Congress as well as many established and entrenched practices, is a dangerous budget. It has so little margin for debt retirement that it threatens more deficit financing if there should be any decline in the volume of business and national income; it keeps taxes at such high levels that they will interfere with the dynamic growth of the country, a growth which is essential if we are to carry our huge debt without unhappy consequences.

Today a new question has been raised, and that is what effect the crisis abroad will have on the budget. Does the weakening in the British position and Britain's prospective withdrawal from Greece and possibly from India, Palestine, and Egypt mean that the United States must assume substantial added responsibilities? President Hoover's report also brings vividly to our attention our obligations in Germany.

Whether we like it or not the United States has been thrust into a position of world leadership, and there is, I believe, a vast majority opinion in this country that we cannot dodge this responsibility. We do want to know more definitely what the responsibility means.

President Truman has just made an address in Mexico, in which he emphasizes our historic policy of non-interference with sovereign governments. While we have a position of world leadership we cannot undertake to walk into every section of the world and run other countries, nor can we finance and feed them all. To do so is impossible both in terms of the amount of money and our products which would be called for. We cannot, by any stretch of the imagination, lift the rest of the world to our standard of living; nor, indeed, can we even guarantee against starvation in every quarter of the world. There are many places where the population is increasing too fast for the means of subsistence. The only effective use for our resources is selectively, in spots where we can help people to help themselves.

As we look over the situation there are key areas from the point of view of determining the trend of world affairs, and we have already committed ourselves in certain of these areas. We have undertaken to help the British in their trying problems, and if that eventually calls for more financial aid of one sort or another I believe the people of this country are ready to help further.

Germany is another key spot, where the future of Europe is being worked out. We are committed to see things through there. President Hoover's program lays down a method for doing so that is practical and will rather promptly take the burden off the American taxpayer by restoring a going German economy. Too little attention has thus far been paid to his recommendations in this respect, which are even more important than his program of expenditures. We must back up the sane and successful program of General McArthur in Japan.

In China, when she herself has put her house in order, we have already indicated our readiness to lend a hand.

To summarize this first point, our aid must be selective and strategic and given to the people who are willing and able to help themselves.

The second point to note is that for this purpose we have already set aside and included in the budget both for this and for the coming fiscal year a very large sum of money to accomplish these purposes. We have set aside 6 billion dollars for the International Fund and Bank. The World Bank, with its new management, is now in excellent position to make strategic loans *pari-passu* with the efforts which other countries make to build effective economies. It recognizes the principle that there is no use building houses without foundations.

Without counting this 6 billion dollars, all of which has already been provided for, the budget for the fiscal year '48 includes $3½ billion of foreign aid. As I understand it, the recommendations made by President Hoover call for no more money than is already provided in the budget; the principal difference being that Mr. Hoover would provide this money as loans rather than gifts, and would set up the economic machine in such a way that it would shortly become self-supporting.

In other words, the provisions we have already made in the appropriations for this year and those contemplated for the next fiscal year ought to be adequate to cover the reasonable requirements which have emerged out of the recent crisis. As promptly as possible, however, foreign countries ought to get their affairs in order, so that after the next harvest they can feed themselves, and so that they can become worthy borrowers at the World Bank or the Export-Import Bank.

The other important principle to recognize is that one of the greatest responsibilities of our world leadership is that we ourselves maintain financial stability in this country. Serious instability here would do more to wreck the economy of the world than we could ever offset by any possible grants in aid. We cannot have financial stability unless we deal with our budget and get it under control. This means that to the extent we must employ our financial powers abroad, we must deny ourselves something else at home in terms of government spending. I am sure each of you has a little list of government projects, none of which would be missed, except by the bureaucrats or pressure groups which have their feet in the trough.

Distribute the Debt

The national debt is most dangerous when it is held by the banks, for in that form it adds to the money supply, and the money supply is the inflationary factor. If money exceeds goods it tends to force prices up. So in addition to making every effort to reduce the total amount of the debt, it is sound fiscal policy to distribute as much as possible of the debt into the hands of investors other than banks, who will hold the debt securely out of the current stream of spending.

It was for this reason that the Treasury during the war adopted a policy of selling its bonds as widely as possible to individuals and corporate investors. Even before the war the sound policy was adopted of devising a savings bond that would be attractive to individuals of both large and small means, and selling these bonds to as many people as possible. Savings bonds have proved a popular investment, and they have been sold to something like 75,000,000 individuals in the amount of some $50 billion. Thus a substantial part of the debt was widely distributed; but more than that, the sale of bonds to all these people stirred a greater incentive to patriotic support of the war. It also gave these people a share in the affairs of their government, an interest which should prove of value in the support of sound financial policies. The United States has that many more shareholders. These bonds in many hands are also a cushion for use in lean years against depression and unemployment.

The continued vigorous sale of savings bonds is sound policy today, and offers one of the best ways for banks to contribute to wise management of the national debt.

These then are the essential things we must do as a nation in the management of the debt. We must cut down the budget so that we stop increasing the debt and begin to pay it off. We must distribute the debt just as widely as possible into the hands of investors and so reduce the inflationary money supply that goes with a floating debt. Beyond this we must take every possible step to preserve and to increase the dynamic energy of our economic life. For that will make the burden of the debt easier to bear and will maintain our American heritage of Freedom.

"Too Much Money"

(Continued from page 1374)

as he chooses for goods and services by his draft, rather than by coins or paper money. That is our money supply.

At the end of 1945, our money supply was a little larger—about 176 billion dollars. Before the war, our average money supply, bank deposits and currency in circulation, was around 60 billion dollars.

Effect of Money Over-Supply

Now, I ask you whether it is reasonable to expect that a money supply swollen from 60 billion dollars to 170 billion dollars will or will not tend to make each one of those dollars worth a little less than it used to be worth; will or will not bring about higher prices in terms of dollars for the things we buy and sell; will or will not increase the cost of living in terms of dollars and bring pressure from wage earners for increased wages to meet the cost of living.

I said that the money supply a year ago was a little larger than it is now. That is due to the fact that bank deposits have come down. The amount of currency in circulation is about the same or a little larger than it was last year. To be specific, at the end of 1945, total bank deposits in this country were 148 billion dollars. Twenty-four billion of that was the Treasury's own deposits, which you bankers call by the poetic name of "war loan accounts." At the end of 1946, total bank deposits were 140 billion dollars, but only 2½ to 3 billion of that was Treasury deposits.

Mr. Eccles, head of the Federal Reserve Board, when he recently announced a change in margins on stock transactions, stated, among other things, that the inflationary peak had been passed.

But I ask you to direct your attention for a moment to the fact that, at the end of 1945, bank deposits in the hands of others than the United States Treasury were only 124 billion dollars, and at the end of 1946, though the total of bank deposits had decreased from 148 billion dollars to 140 billion dollars, the bank deposits under the control of corporate, individual, and depositors other than the Treasury of the United States had increased from 124 billion dollars to 137 billion dollars.

Money Supply Not Reduced

Now, you may ask me: How does it happen that in a year in which the Treasury was paying off 20 billion dollars of the public debt, the money supply did not come down by more than 8 billion dollars? I hope to suggest an answer to that question as I go along.

First, let me ask: How did we get this big money supply of 176 billion dollars at the end of 1945, and 168 billion dollars at the end of 1946? We got it through the expansion of bank credit.

Sometimes, these terms that the bankers and the financial experts use, are too much for me; terms that my associates and fellows in other fields of activity have used for a long time frequently confuse and disturb me. I have never been able to manufacture a vocabulary of my own, so, I have to do my best to try to understand these terms that other people have developed and sometimes have not put into the dictionary where the layman can find out what they mean.

Expansion of bank credit — that doesn't mean what I thought it meant some years ago. I thought bank credit was your right to go to a banker and secure a loan. Oh, no. Bank credit now means the loan that you have received, and when you receive it—whether you are an individual or the Treasury of the United States, the bank creates the amount of the loan and adds it to the money supply.

So, when the United States Treasury sold its paper to the banks during the war, the banks, to the extent that they bought that paper, increased bank deposits and added to the money supply of the country the amounts of that increase. When the Treasury prohibited subscriptions by the banks to its offerings, the banks went on the market and bought Government bonds, not just a few, but a lot. When the banks bought those Government bonds on the market, they paid for them with expanded bank credit, and they increased the bank deposits, and thereby they increased the money supply of the country.

That is the way we got this huge money supply, expanded from somewhere around 60 billion dollars in 1939 to 170 billion dollars at the end of last year. Every time the banks either bought Government bonds from the Treasury or bought them on the market from non-banking sellers, they increased the money supply.

Now, if you don't believe that, write me a letter; I am really very anxious to discover any error in the facts and the thinking that I am presenting to you today.

Bank Purchases of Government Bonds

The total purchases by the banks of Government bonds since the Treasury refused to permit the banks to subscribe to its issues has exceeded 50 billion dollars. If that is true, then the banks, by their purchases of Government bonds on the market, have added over 50 billion dollars to the money supply, which I say, gently and with something of a question mark after my declaration, is too large. It is not only too large, but it is out of all relation to production and business activity in the community. And why? Because so much of that money supply, so created, bears no relation to any business activity in the world today.

Take my favorite illustration: The Treasury sold some 100 million dollars into the banking system to provide for the cost of the carrier Hornet. The banks didn't use previously-existing money to pay for that 100 million dollars of Treasury bonds. The banks created accounts — deposit accounts — in favor of the Treasury, and when the Treasury drew on those accounts to pay workmen and for materials for that great carrier, it pushed those newly-created bank deposits out into the community as part of the money supply of the country. You know that the Hornet went to the Pacific, performed marvelously for a few months, and then, went to the bottom. That's what happens to all war production; nothing peculiar about the carrier. But the point that I want to emphasize today to you is that the money that was created and added to our money supply to pay for that carrier did not disappear when the carrier went to the bottom of the Pacific. It still roams around this country representing nothing in the way of business activity, production, or other human relationships. It is, as the President of the Southern California Edison Company said the other day, precisely like counterfeit money; that is, something a gang might produce and get away with for a time. It has no relation to production.

That is the way we got this big money supply. If I am right, that it is more than we need; if I am right, that it is the most important contribution to an inflationary trend, that it presses prices upward, necessarily because of the decreasing purchasing value of the increasing number of dollars, and that it is the reason for increased cost of living, resulting in demand for increased wages; if all these political financial, business, and social consequences flow from this large supply of money, I think we may very well ask ourselves: How is it to be reduced or prevented from further increasing?

Means of Decreasing Money Supply

Well, there are only two ways to decrease it. You remember when we had a big money supply in 1929, too big for the time, and yet it was only 57 billion dollars, it had been run up to that point by individual and corporate borrowing, largely for speculation in security markets. And, when the crash came in those markets, the money supply came down because the loans which had created it were called, foreclosed, washed up, and after a year of liquidation of those corporate and individual loans which had pushed up the money supply to 57 billion dollars, it came down very quickly to somewhere around 42 billion dollars. But, the way it came down was by foreclosure, and call of the loans that had built it up. You can't call the United States Government, and you can't foreclose the loans of the United States Government, which, in the banks this time, are responsible for this huge increase in our money supply.

Whatever else may be said about the gold standard, it was a check; it was a measure, especially for those of us who tried to determine the problems of the long-term. When we went off the gold standard, we certainly developed a need for more astute, skillful, patriotic, farseeing management of our currency than we ever had before, and that is what we were promised by those who were so enthusiastic about abandoning the gold standard. It would be management of currency, and then, later, we were introduced to the term, "management of debt." But the trouble is that there is no management of the currency. The management that

FRASER

we had in the past, proceeding from the Board of Governors of the Federal Reserve system was supposed to be independent of political considerations, was supposed to be as our Supreme Court on the judicial side was — a competent and independent and patriotic and far-seeing group, removed from the passions and the responsibilities of the political situations of the day. Now the Federal Reserve system has fallen under the control which is purely that of the Treasury administration of the financial side of the Government of the day.

Concern Over Low Interest Rates

We, in the life insurance business, and I am leaving a few strings out here that I hope to tie together if you will give me a few more moments — we, in the life insurance business, are not concerned over our ability to meet the requirements of our contracts, that is, to pay the number of dollars called for by those contracts. We are not concerned over the low interest rates which make it difficult for us to invest our policyholders' money in securities of quality.

I say we are not concerned over the low interest rates, except as they reduce our investment income and increase the net cost of our service to our policyholders. They are not a matter of concern, if I may make it clear, to the corporate entity and its management. What we are concerned about is the purchasing value of the dollar in the future.

Many of you gentlemen have bought life insurance for a particular purpose to be realized at some time in the future, and for those of you who are younger, you hope, and we hope, that it will be a long time in the future. Well, if this dollar which so much requires management now, and which I say lacks management, continues to decrease in purchasing value, you had better look to your policies and call in your life insurance agents and see whether you have enough life insurance. To accomplish at that point in the future when your purpose arrives, that for which you bought your insurance originally, that is your and our concern.

I have given most of my life to this life insurance business, and I have nothing to regret in so far as the management of my institution—my contribution to the business as a whole—goes. My concern is with the possibility that all my effort will be in vain if it should develop that these dollars which we promise to pay and which we can readily pay, do not buy the things that we promised, or urged upon the policyholder as his reason for buying insurance.

My concern, then, over the interest rate, over the money supply, is that the methods by which they are both maintained, affect the future purchasing value of the dollar. It is the bigness of the money supply that forces prices up and that forces interest rates down, and it is the maintenance of the low interest rate, especially for the obligations of the Government itself, that is at the heart of whatever financial policy there is in the administration of the Federal Reserve Banking System today.

A Government Surplus as Corrective

How do we get this big money supply down this time? Only two ways, as I said. One is not merely to pay off debt, but to get it out of the banks and keep it out of the banks. Now, there are only two ways in which you can do that. One is by not only maintaining a balanced budget, but by getting a surplus of income over expenditures and then seeing to it that that surplus is used to pay off Government debt.

It is hard to get that surplus. I have seen enough public administration to know that our public representatives operate in political atmospheres that make it very difficult to keep expenditures down and income up, and even if you do and get a surplus as a result, it is very difficult to keep that surplus and apply it to anything so prosaic as the payment of debt.

But, by methods which will not recur, we have succeeded in paying off around 20 to 23 billion dollars of debt, since the end of 1945. To the extent that that debt, paid off, was held by the banks, that payment not only reduced the debt, but it reduced the money supply. A very large part of the debt so paid off was held by the banks, but the trouble with our operations in 1946 is that, while we reduced the debt and paid off a large amount of Government debt held in the banks, the banks went forward, replenishing their portfolios by the buying of other Government bonds, other corporate bonds, and the making of corporate and individual loans, all of which, added to the money supply, or rather prevented its being reduced, with the result that, though the debt came down 23 billions, the money supply came down only 8 billions, and the money supply in the hands of the people, as distinguished from the Treasury, went up 13 billion dollars.

Do you suppose that when those very able public representatives and experts in financial matters evolved and drafted the Federal Reserve legislation of 1913, making provision, as they did, for the expansion of our money supply when the needs of business called for more money—do you suppose they envisioned any such expansion of the money supply as that which has taken place during the last few years, or the methods by which it has taken place?

It is all right to increase your money supply when a responsible borrower goes to a responsible banker and is appraised as worth the loan he asks for. It is all right, then, to give him an account, a created bank account. He becomes responsible, and when he pays it off, that addition to the money supply is eliminated. But the framers of the Federal Reserve never contemplated that when a bank wanted to increase its earnings, it could go out on the market and buy Government bonds, even paying a premium for them, or buy Michigan bonus or highway bonds, and create the means of paying for them, thereby adding to the money supply of the country. That's what happens; that's what has happened during 1946. That's what is happening now.

What of Future?

Is the money supply too large? Is it inflationary? Are we to go on drifting to a higher money supply due to the demands that we are very shortly to receive from the states and municipalities for the sale of their bond issues, from corporations, from business expansion, from individuals?

Are we to go on increasing this money supply or whose job is it to do something about it? I know that a good banker will tell you that when an application for a loan is made to him, he appraises the borrower and he appraises its effect on the bank's liquidity; but does he appraise the effect on the general public welfare of that addition to the money supply?

I think the average banker would tell you, no, that is not his job; that is the job of the Federal Reserve officials. The Federal Reserve officials used to perform that job, but today, the only thing the Federal Reserve does is to maintain low interest rates.

How are we to get someone to tackle the job of determining how much money is enough and of decreasing the money supply we now have, and of preventing it from rising higher?

The banks still hold a billion or so of thirty-day Treasury bills and about ten billions of Treasury certificates of indebtedness. They can take that 10 billion dollars to the Federal Reserve, turn it in, and get the means of purchasing at least 50 billion dollars of new loans, or new bonds and adding that amount to the money supply. Here again I ask you to check these figures.

Mr. Sproul of the New York Reserve Bank, talking to the New Jersey bankers the other day said, referring to this very subject, that the Federal Reserve had lost control over expansion of bank credit. He said, "We are no longer masters in our own house," and indicated that the hands of the Reserve Bankers were tied.

Responsibility of Federal Reserve

Well now, if the Federal Reserve authorities are in that position, what I want to point out is that, so far as I understand the situation, it is of their own making. They are in that position because they adopted a policy during the war of maintaining and supporting the Government bond market, and they do not choose to change their own policy. Until they are prepared to say that they will not permit the member banks to come and dump any paper they happen to have into the Federal Reserve and get the proceeds thereof to make loans or to buy other bonds that increase our money supply; until the Federal Reserve authorities are prepared to change their existing policy, made by themselves, to that effect, certainly they are not in control of the expansion of bank credit. That's just what the banks have been doing, all the banks. They've been doing it because the Federal Reserve policy permits them to do it and because it enables them to increase their earnings.

I don't want to appear to be critical of my banker friends. I have banking responsibilities myself, but I also have huge responsibilities for deposits in banking institutions. The banks have been taking their short-term governments to the Federal Reserve, and without question, under the established policy of the Federal Reserve Board they get the proceeds of what they take, which they can go out and use for new loans or new purchases of bonds, both of which increase the money supply.

Look at the figures. Every Friday, in our New York papers, you will find a report of the Federal Reserve system. There are outstanding 17 billions of Treasury bills; 15 billions of them are in the Federal Reserve banks. How did they get there? They passed through the member banks. When the member banks bought those Treasury bills from the Treasury, they added the 17 billion dollars to the money supply. When and if they take those billions to the Federal Reserve—and they have already taken 15 billion dollars of them to the Federal Reserve—and get their value in new reserves and use those reserves to buy other higher coupon governments for earnings, they add to the money supply again to the extent that they make those purchases. In other words, those billions have been through the mill once; and if they are dumped in the Federal Reserve and the proceeds of the dumping used to buy an equal amount of other government bonds, as they have been, or used to make loans, as they have been, they again add to the money supply. Thus, for the original 17 billion dollars of bank purchases of Treasury bills, 15 billion of which are now in the Federal Reserve banks, we have an addition to the money supply of 32 billion dollars.

Now, how long are we going to go on like that? Why doesn't the Federal Reserve Board, establish a policy which will get control of this expansion of bank credit?

I know most of the responsible bankers would like to see something of the kind done. But it's something that can't be done by one or a few. It must be done as a result of general policy. The suggestion that I have to make is that this matter is of so much importance to you and to me, and to all the citizens of this country now and for a long time in the future, that the time has come for a re-examination of the whole matter of Reserve Banking, of the administration of the Reserve Board, of its relationship to the Reserve Banks, and their relationship to the member banks, by a monetary commission or some specific committee created by Congress, similar to the one which evolved the Federal Reserve System in 1913.

Mr. Eccles' Proposals

The necessity for some such action is emphasized by the hearings in the last few days in the House of Representatives before their Banking Committee. Mr. Eccles has been before that Committee for three days. He has been making some very important statements, all of which wind up with persistence in maintaining the low interest rate—even though he knows and says, that the only way you can maintain the low interest rate is to keep on piling up newly made money through bank holdings of government or other bonds. His whole planning or policy for the future contemplates not getting government obligations out of the banks, which would tend to reduce the money supply to something more normal, but keeping them in the banks and making them more attractive to the banks.

He suggests that it might be wise to increase the interest rate on short-term governments. The short-term governments are held by the member banks or the Reserve banks. Further, he points out that with the maturities during the next five years of higher coupon bonds, it will be possible to decrease the net cost to the government of its interest payments, even though the rate on the certificates, which can be used to refinance those maturities is increased.

Of course, we in the life insurance business would like to see some of those maturities refinanced with long-term bonds with an increased coupon, which would have the effect of drawing those bonds out of the banks and putting them in the hands of long-term investors. But, says Mr. Eccles, the policy will be to maintain the low interest rate generally, even if it results in bringing the long interest rate down.

We in the life insurance business don't ask the Treasury of the United States to issue any bonds in order that we may have something to invest in. What we do say is that we will not invest the funds for which we are responsible unless we get a satisfactory investment at a satisfactory rate, and that includes the issues of the United States Terasury. We are not asking for the favor of something in which to invest. We are asking for a financial policy that will protect the future value of the dollar.

Conclusion

The only fiscal policies that will do that are a balanced budget with a surplus that will pay off a considerable amount of the debt in the banks or a refinancing of that bank-held debt with a longer term bond and a higher coupon, which will put it in the hands of permanent investors and remove its inflationary effects.

The short-term view is the political view. The long-term view should be the business view. Unless we in the business world are ready to take some responsibility in this matter, unless we believe there is a problem here and a danger, how can we expect our political friends to have the courage to do anything serious about it?

If you believe the things that I have said to you today about the volume of the money supply, about the difficulties of reducing it, about the ways and the means and the dangers of increasing it, then surely you have an interest in doing something about it. If you don't believe what I have said here today, I wish you would personally and institutionally bring to my attention the error of my figures or my logic or my deductions.

If what I say is true, there is need for action. A monetary system which does not involve conversion of paper into something the people have absolute confidence in for the future requires management — competent, independent, patriotic management —and it is not getting it.

President Sproul was right: Expansion of bank loans and of bank credit and, therefore, the amount of the money supply in this country and, therefore, the future of the dollar is under no control at this moment. And that is because of a Reserve Board policy that any government obligation — whether short-term government paper or long-term government bonds held by the banks — can be dumped in the Federal Reserve at the choice of the banks and the reserves which are thereby obtained can be used by the banks in their discretion and are being used to further increase the money supply.

I am sorry I did get into somewhat of what I call a speech, and I have gone on longer than I meant to. I am very seriously concerned about this whole matter. If this great institution, which has served our city, state and nation for the last 175 years, isn't prompted to do something about it, then I will say that the problem of stirring up action somewhere else becomes pretty difficult.

H. A. McDonald Named To SEC Post

Harry A. McDonald, McDonald, Moore & Co., Detroit, Mich. has been nominated by President Tru-

Harry A. McDonald

man to the Securities and Exchange Commission, to fill the post held by the late Robert E. Healy. Mr. McDonald's term of office will expire June 5, 1951. He is a member of the Detroit Stock Exchange.

Truslow Honored

Francis Adams Truslow, President of the New York Curb Exchange, was the guest of honor March 7 at a dinner at Louis Sherry's which was given by the board of governors of the New York Stock Exchange and attended also by the board of governors of the New York Curb Exchange. John A. Coleman, Chairman of the board of the New York Stock Exchange, presided, and Emil Schram, President of that Exchange, Edward C. Werle, Chairman of the Curb Exchange's board of governors, and Col. William A. Lockwood, Curb Exchange counsel, spoke.

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

Outlook for Automobile Industry

(Continued from page 1316)

Normally 36% of all tires sold are sold to manufacturers of automobiles to put on new cars. That is not the ratio at present for obvious reasons, but even now according to the latest figures, 21% of the tires are going onto new cars and the old relationship should be reestablished before very long.

Take the matter of steel. There are various estimates of the proportion of the output of steel that goes to the automobile industry, but roughly speaking, if you say somewhere between 10 and 16%, you will probably hit it.

There are other industries not so obviously related. The transportation of automobiles by railroad is an important source of railroad revenues and the demands of the industry for coal is an important use also.

Take the matter of labor employed. About 2½% of all the gainfully employed workers in the country are in the automobile industry or something closely related to it, and if you come down to factory workers alone, the proportion of factory workers in the industry is about 6%. Well, you can see under those circumstances that if there were any reason to suppose that the automobile industry is going to be active in the coming year, it follows that the depression that might otherwise have been expected in general business cannot be as deep as might have been expected on the analogy of previous postwar periods.

Present Auto Demand Extraordinary

The demand for automobiles at the present time is perfectly extraordinary. Before going into the details of it, the nature of it and the reasons, I just want to take up one point which has received a good deal of attention lately, and that is the question as to whether that demand may not be choked off by high prices. You hear so much said about the high price of automobiles, and it is true that as compared with 1941, the average price is up perhaps 55 to 60%, and if you take into account the restricted terms of credit, the amount that has to be paid by people who buy on credit, that amount per month is perhaps twice as great as it was in 1941.

But incidentally, only about one car out of five is sold on terms now anyhow, and so that does not mean so very much. Also in the matter of allowance for the used cars turned in, it is obvious that the prices of used cars have gone up as much or more than the prices of new cars. Of course that is a hard thing to measure, because the used car is declining in value all the time and you have a sort of a sliding base from which to measure the increase, but we know that a good many five and six year old cars have been sold within the last year at a price as great as was originally paid for them, and we know that a good many nominally used cars of the latest model that have been run a couple of weeks are sold for $200 or $300 or maybe more than the authorized price for the new car,—a difference between the legitimate market on the new cars and what was a black market until a few months ago in the used cars.

And that the present time, although the market in used cars cannot be considered a black market, nevertheless the manufacturers, for reasons of public policy if not for law, are keeping down the price of the new cars below what they could get for them, whereas there is no such restriction on the buyers of the new cars who turn around and sell them again.

Auto Prices

In saying that the price of automobiles has not gone up enough to choke off demand, I just want to remind you that against the 55 or 60% increase in the automobiles since 1941, we have, according to the official index which probably understates the situation, a 46% increase in what they call the cost of living or used to call the cost of living, the retail prices of things bought by wage-earners. We have a 56% increase in the wholesale price index which is almost exactly the same as the increase in the average sedan at the present time.

There is some confusion also as to how much the various makes have gone up. I suppose you have all gone into the situation enough to realize that in spite of all the publicity that Ford got a while ago for reducing prices, Ford's prices are still, on almost every model, higher than General Motors', and in spite of all the unfavorable publicity that General Motors got a few weeks before that for raising prices, they were still lower than the rest of the industry. The only reason for that raise being necessary at the time was the fact that the OPA discriminated against General Motors as long as it was in existence and refused to grant us increases that they did grant to other people.

Nature of Demand for Cars

Now I want to go to the nature of the demand. According to the latest count, which dated at the end of 1945, the number of cars in existence was 24,700,000. I do not want to get you confused with registrations because the figures for registrations are higher. I shall talk only about cars in use. As you know, a good many cars are registered, even simultaneously, in more than one state for various reasons. That is particularly true of trucks that are engaged in interstate commerce and it also happens that a good many states have a rule that a new car requires a new registration even if the owner has previously had one for his previous car, and, on the other hand, other states adopt the opposite practice, so that, generally speaking, the number of registrations is two or three million higher than the number of cars.

Allowing for that, we have a figure at the end of 1945 of 24.7 million passenger cars, 24.7 millions that were in use. That number may not be much greater now. I doubt if it is over 25½, because the scrappage rate has been very high on account of the high average age of the cars. They were just being carried on until they could be replaced and then were scrapped, and so, although there have been since that count was taken perhaps two and a half million passenger cars produced, it is very likely that over half of them were offset by cars scrapped, so the net cars in use now is very likely around 25½ million.

Back in 1941 the number was 26.6. In other words, we are probably a million to a million and a half below what we were in 1941. Since then the national income, even after allowing for increased taxes and after allowing for the reduced purchasing power of the dollar, the real national disposable income has gone up 20%. You might naturally think that we could afford 20% more cars and I think that that calculation would not be misleading at the present time.

Need Six Million More Cars

In other words, we ought to have about six million more cars than we actually have. The question is, how long will it take to get them? You sometimes see statements made by people who say that we are going to have several years of six-million-car production. Well, I do not think that is true and I feel very certain that if we do have a six-million-car year, it will not be this year or next.

The reason for this year is the scarcity of certain essential materials. As you all know, we have been held back all during 1946 and are still being held back by shortages in copper, lead, certain kinds of textiles, and especially at the present time, sheet steel and pig iron. During the coal strike we had to use up some of the supplies of steel that we had on hand and for that reason, because we were able to do that, our production during the strike did not go down very much, but we have since been feeling the results of that strike, and for that reason the January and February figures were very low.

Because of that and also the other shortages I mentioned, and also because a few of the bottlenecks in the plant have not been wholly removed yet, the rate of output will not be very much higher in the first half of this year than it was in the last quarter of last year.

After the middle of the year things should pick up but it is the general feeling that we will not be able to turn out—the industry as a whole—more than 4,000,000 passenger cars this year and, as a matter of fact, 3,500,000 is just as popular a figure as four. Now you can add to that 1,000,000 or 1,500,000 trucks and you have an overall maximum of 5,000,000, and I do not think any of the production men in the industry would think anything more than that was possible in 1947.

When it comes to 1948, we hope that the material shortages will be greatly alleviated and we know that the bottlenecks in the plants will be taken care of, and so it is possible that in 1948 we might get an overall output of 6,000,000 or so, and passenger cars amounting to five. After that, as far as the production is concerned, we might be able to increase, but by that time we have to consider that something is going to happen to demand.

Effect of Prices

I spoke about the backlog of 6,000,000 and also mentioned that the high prices are not having any particular effect, but there is another thing to bear in mind. The reason why high prices are not a deterrent at the present time is largely the fact that the existing cars are so old that they must be replaced. That situation will not continue after a year or so of new car production. At the present time we have something like 12,000,000 cars over seven and a half years old. In 1941 we only had 5,600,000 cars over seven and a half years old. There is a 6,000,000 difference.

That could be made up if we produced 8,500,000 new cars in this year and next. That would probably make it possible to scrap 6,000,000 of these old ones and we would get right back to normal and the abnormal demand that exists because of the fact that the cars are falling apart would disappear.

Just when that will happen, nobody knows. After all, the dissolution of a car is not an immediate event. It can be delayed by appropriate measures and how anxious people are to keep the old bus running is partly a function of their income and of the cost of replacing it. You can make various assumptions as to what is going to happen to general purchasing power. If you think there is going to be a depression either this year or next, why, the abnormal insatiable demand for automobiles of the sort that cannot be deterred by high prices will come to and end before the end of next year.

If you assume there is not going to be any serious recession, that we will continue prosperous, why, the high production and high sale of cars might continue into 1949 or under most extreme hypotheses I can think of, into 1950, but after that, you reach a situation where the vacuum has been filled and the demand for cars will be largely in the nature of replacements.

In the past we have had besides the replacement demand, a demand for new cars based on the fact, first that the population is increasing and, secondly and more important, that the national income has been increasing, and thirdly and most important of all, that automobiles were still a comparatively new product and the market had not become saturated in the sense that not all the people who might be reasonably expected to buy a car with a given income had yet reached that stage.

Increasing Cars Per Capita

If you study the growth of the automobile population in terms of human population, that is, the number of cars per capita, from the beginning down to the present, year by year, you will find that up to 1929 it was increasing rather rapidly according to the rate that you would expect from a normal cumulative curve. I have a chart here that I can hold up and you can get the idea (indicating).

There is the actual number of passenger cars per hundred persons and the dashed line which you see as very smooth and symmetrical, which represents the normal cumulative probability curve. You see in 1929, the two lines went along very closely together. After that the actual cars per hundred persons fell off and there has been a very irregular line since then. Even in 1941 it did not get back to the curve.

That implies that there is such a thing as a saturation point based on population. As far as I can figure, that particular saturation point will not become effectively a fact until around 1954 or 1955. I mention it simply to illustrate the ceiling that must exist on the number of cars in use aside from the number that might possibly be bought out of a certain annual income. There are other ceilings of a somewhat different nature which I think are more immediately effective.

This particular calculation was based on the total population. A similar one based on the population of driving age, on the assumption that the car cannot run without a driver, will give you almost the same answer, but the ceiling is perhaps a year or so earlier. Then there is another approach and that is the number of people who can afford or think they can afford new cars as distinguished from those who can afford any kind of a car.

If you will take the studies that were made by the Bureau of Labor Statistics and other government departments with regard to the number of cars owned by people in each income class and the study of the National Resources Planning Board that was made back in 1936 along the same lines, you can make the assumption that by 1941 the proportion of new car owners in each income class had reached its limit. After all, cars had been very well known and admired for 40 years and it is not unreasonable to suppose that by 1941 everyone with an income of $10,000 or over who had any possible reason for wanting a new car, had got one, and the same assumption is probably true if you go down to a $5,000 income.

In other words, you assume that the increase in the number of cars from now on will be mainly a question of how many people move from the lower income classes into the higher income classes and not because the people in the higher income classes buy cars in any larger proportions than they have in the past.

If you work it out on that assumption, you will bring the ceiling a little bit closer. The reason I am talking about ceilings is that whenever the ceiling does become effective—and I think it would be sometime between 1951 and 1953—after that point the increase in the number of cars will be very slow. These ceilings are not absolutely rigid. They change a little bit as the population grows. But the demand after that point will be almost entirely a replacement demand.

Future Replacement Demand

The question then arises: how great will the replacement demand be? If we say, just to take a figure, that the limit on a car population is 33,000,000, the replacement demand will obviously be that 33,000,000 divided by the number of years that the average car lives. I have seen a good many statements made to the effect that the average car life is seven years.

That was true back in the middle Twenties. It has not been true since then. The average life of a passenger car has been increasing and beginning with 1933 or 1934 models, it has certainly been over eleven years.

We do not know whether it is going to increase in the future at the same rate. Of course, the cars are made well enough now so that they could be made to last eleven, twelve or more years on the average. You have all seen cars running on the streets that are 20 years old, but against that, of course, there is the question of whether the public will want to run an old car, whether they can afford to scrap it and replace it with a new one, or whether the manufacturers can change the models so that it is no longer either convenient or fashionable to run an old one, or whether the new cars can be made so cheap that it is not worthwhile to run an old one.

What I am getting at is that as far as the replacement demand is concerned, at the present rate of average life, that would mean only 3,000,000 passenger cars a year if we assume that the total limit on the passenger car population in the next 10 or 15 years is something like 33,000,000.

The net result of this, as far as the automobile industry is concerned, is that we are headed for probably two years, possibly three of capacity operations. After that, no matter how hard we try, we are not going to keep up at that high rate. We are going to drop back to a level of perhaps 3,000,000 domestic passenger car sales.

We can add to that, of course, any allowance you wish to make for exports. That is an entirely different problem not affected by such things as ceilings or by the distribution of income in this country, and you can add to that, of course, trucks, and so you can still have what would seem like a very good year to us in the 30's, but nothing like what some of the most optimistic spokesmen of the industry have been proclaiming.

Will There Be Manufacturers' Profits?

Then the next question is, granted that there is a market for a large number of cars and that the capacity to produce is for a large number of cars, will there be any profit in producing them? The answer to that, of course, lies principally in the hands of the labor unions. If they insist on increasing wages as fast as the margin out of which wages can be paid increases and leaving nothing for the stockholders, why, naturally the stock will not be worth very much. There are some adverse effects on the laborers themselves which some of them are beginning to realize.

In the first place, when the price of the car goes up, it did not use

to make any difference to the ordinary worker in the factory because, although he owned an automobile, he did not own a new one. He always bought a second-hand one, and so that increase in the price of the car would not have deterred him. At the present time the ordinary worker in an automobile factory is making enough money so that he can buy a new car and a good many of them do. Well, there is an immediate effect, of course.

Another effect is that if the profits left to the stockholder are not sufficient to encourage investment, there will be a smaller part of the income plowed back, there will be less expansion of existing concerns and practically no introduction of new concerns in the industry and, in fact, there may be some withdrawal of capital from the industry by the process of letting it wear out without replacement, and that will mean, of course, a correspondingly smaller demand for labor.

Question of Future Wages

Even aside from the decisions that might be made by the management, if the price of cars if forced up by higher wages, why, aside from the abnormal period in which we are now and which will not last more than two or three years, when that abnormal period is over, the higher price of cars will naturally reduce the demand for cars because, after all, most of the possible buyers of cars are not wage earners and certainly not wage earners in the automobile industry, and their income will not be pushed up by any increase in automobile wage rates. They will be compelled to make the old car last longer and consequently if the demand for cars is reduced, the demand for the labor employed in making the cars will be reduced.

If you take the long run point of view, then, the unions can easily overdo the demand for increased wages even from their own selfish angle. Possibly they have done so already. But, of course, they are trying to go ahead and do some more. You will frequently hear the statement made that only one-sixth or maybe they go as high as one-quarter of the cost for an automobile is labor cost. That is one of those very misleading statements which would not be made by any good economist.

The figure is taken from the Census of Manufacturers where it is true that if you take the wages that were supposed to have been paid by the automobile industry in 1939, and compare it with the total value of the product, the wages run around one-sixth. Of course, it differs from company to company depending on how much of their own parts they make and how much they are just assembly operations, but the census volume itself warns specifically against drawing any such conclusion, because in addition to the direct labor cost in any given industry, there is all the labor cost of materials bought by that industry and there is a certain process of cumulative duplication, you might say, in that, so that if you take manufacture in general, instead of wages being one-sixth of the total cost, they will work out over a half.

If you will take the automobile industry, you will get instead of one-third of the total cost, if you allow for the cost of labor in the materials, you will get up to over two-thirds and, of course, that is only the immediate labor cost.

Let me illustrate by saying what I think would be the effect of a 10% increase in wages. A 10% increase in wages would obviously increase the total cost of making the car about 3% immediately. I mean a 10% increase in wages in the automobile industry, not accompanied by increases in wages in other industries would immediately increase the cost of making the car about 3%. Of course, in some cases that can be taken out of profits or part of it could. But if there is a general round of increases in all industry, which is the most likely prospect, the immediate increase in the cost of making the car would be something like 7% and, of course, nobody would maintain that that can be taken out of profits.

In addition to that, we have to consider that the plant and equipment is also made by labor. It is not replaced every year but it is replaced over a period of years. If we say that the average machine has to be replaced on the average every five years, why, that means that most of the remaining 3% out of that 10% wage increase will also be passed on into the cost of the car in the course of five years. I am just using rough figures for purposes of illustration.

Wages and Car Prices

What it boils down to is this: that a 10% wage increase all over the country in the automobile industry and its supplying industries would immediately raise the cost of the car about 7% and in the course of the next four or five years would raise it by another 2 or 2½%, something like that. That is just the plain mathematics of it.

If you now take into consideration the fact that the higher cost of cars would either reduce the sales and thereby reduce the profits, or else if it is not added to the selling price, so as not to reduce the sales, but comes out of profits directly, then you have to consider that the remaining profits may be insufficient to induce management and investors to keep on producing at that rate —in other words, the industry may be reduced in size or prevented from growing, with such result that at the end of five or ten years, more than 10% of the increase will have been passed on in the shape of higher prices.

As the sales are reduced, the overhead per unit becomes greater, obviously. If you are producing 5,000,000 cars and you have an overhead of $100,000,000, just for illustration, that is $20 per car. If you are only producing 4,000,000 cars, your overhead cannot be reduced immediately or very much. There you have $25 per car. Well now, because of that increase in unit overhead, it is very likely that in the course of four or five years a 10% increase in wages now would increase the cost of the car considerably more than 10%. It is all a matter of timing, you see.

The labor people emphasize those misleading figures from the census and say that a 10% increase means only a 3% increase in the costs, but if you interpret the census correctly and take into account the long-time results as well as the immediate ones, it could easily be more than 10%.

Relation of Prices to Demand

There is a good deal of difference of opinion as to how much reduction in demand would follow a certain assumed increase in cost or in price. We have found that for practical reasons it is necessary to assume that a 5% increase in price will ordinarily reduce the sales 5%. That is the easiest way of doing it and that figure corresponds to all the information that we can find as well as any other figure that you might take. The important thing, however, is to realize that this year and next that general rule does not apply because the demand is so urgent.

We have worked out, although I am not going to bother you with the details, what we think would be the demand for cars under the assumption of a recession equivalent to that which followed the first World War, and we have made three different assumptions as to when that recession may begin. Of course, we have made various other assumptions for experimental purposes and we cannot be sure of anything, but at least we think we have a pretty good idea of the possible range, and just to illustrate the uncertainty of it, I will give you a few extreme figures of what we think will be the demand for passenger cars in the United States. This does not include trucks or any exports and it is more for illustrative purposes than anything else.

On six different assumptions here as to general business activity, I get a range of demand for passenger cars in the United States running from 3,141,000 to 3,500,000. In that particular case the top is set by reason of inability to produce more.

If any of you are interested in working out the statistical analyses, I just want to warn you not to rely on the method of correlation against national income in the past, because you are going to get absurd results. Any kind of a correlation against national income, whether you take income payments or disposable income or supernumerary income or anything else, gives very high answers in terms of automobile production, because everybody is contemplating such a high rate of income in the future. Such rates cannot be maintained for more than a year or so and probably could not be attained in even one year on account of the limits on the production capacity of the industry.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Market continues to point lower. International food problem becoming increasingly acute, with daily commodity price rise.

With every day that passes the market gives additional evidence that something is wrong. Last week we saw prices rise on news of the John L. Lewis Supreme Court decision. Rise, however, was short-lived and followed by a spill-over the following day.

* * *

The excuse for the break this time was Truman's statement that matters of importance prevented his taking a vacation at this time. Whether the Lewis ruling was responsible for the rally, or whether the Truman stand caused the break, is unimportant. In fact the only thing that is important is the fact that day after day the market either walks around in a fog or stumbles over its own feet. Whether this means that we are in for a bear market, is likewise unimportant.

* * *

Bear markets aren't made by anybody's statements, or by anybody's decisions. They are caused by a series of events of long standing. The statements are merely road markers. The most serious situation in my mind is the continued rise in commodities. We have made loans, and are thinking of making more of them. These loans are seldom, if ever, in cash. They call for credits to be used for the purchase of either raw or finished materials in this country. Practically always the loan is tied up with a large commodity purchase. If a country, or an individual makes a loan with the idea of buying a predetermined amount of supplies, and then the price of the supplies mounts sharply, the loan is obviously watered down. England, for example, has agreed to buy a predetermined amount of grain from us. With corn and wheat making new highs, her situation will either call for new loans or curtailed purchases.

* * *

That England is well aware of her plight is seen in her desire to pull out of Greece. That means we move in. That means we spend money. We can't follow the old expansionist dictum of the dollar following the flag where Greece is concerned. There's a simple reason against it. The Greeks don't have the money to buy our products, nor for that matter has any other country unless we lend them the money. Loan may be direct or arranged thru the international bodies set up for that purpose. But however it's done, their loan must have a fixed buying level, as well as a fixed repayment level.

* * *

It has frequently been said that American prosperity is often based on the amount of foreign business we do. You can take it from there.

* * *

The market doesn't pretend to have the answers to every problem. In fact it isn't even interested in the major ones. It merely reflects the thinking and the acting of informed moneyed interests. It is this action we see when we watch the stock tape.

* * *

For the past few weeks the stock tape has been signalling "down." Nothing it has done in the past few weeks has changed that. So long as it persists in pointing the direction, it would be foolhardy for anybody to start fighting it.

* * *

Whether it is the beginning, the middle or the end of a bear market, is also pointless to the trader. I have seen bear markets where it was possible to make plenty going long. I have also seen bull markets where going short was the most profitable for the time being. It all ends up in a question of timing.

* * *

I wish that for this week anyway I could be more specific. There is enough shilly-shallying going around to confuse you without my adding to it. But all I can see is more dullness followed by more reaction. With that likelihood facing us, I can't very well advise any new buying. So until the market shows better performances the sideline position will continue to be advocated.

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.]

Trans-Ocean Teletype For Model, Roland Co.

Model, Roland & Stone, 76 Beaver Street, New York City, have inaugurated the operation of a privately leased trans-Atlantic teletype. This is the first direct communication between New York and London financial interests. The method of communication, carried over direct submarine cables, is an adaptation of the Varioples system used by the United States and British Governments during the war.

Jerome Davis With Seligman, Lubetkin Co.

Jerome G. Davis, security and trade analyst, has become associated with Seligman, Lubetkin & Co., 41 Broad Street, New York City. Mr. Davis was formerly associated with Fitch Investors Service and with Standard & Poor's Corporation.

Established 1856
H. Hentz & Co.
Members
New York Stock Exchange
New York Curb Exchange
New York Cotton Exchange
Commodity Exchange, Inc.
Chicago Board of Trade
New Orleans Cotton Exchange
And other Exchanges
N. Y. Cotton Exchange Bldg.
NEW YORK 4, N. Y.
CHICAGO DETROIT PITTSBURGH
GENEVA, SWITZERLAND

Pacific Coast Securities
Orders Executed on Pacific Coast Exchanges
Schwabacher & Co.
Members
New York Stock Exchange
New York Curb Exchange (Associate)
San Francisco Stock Exchange
Chicago Board of Trade
14 Wall Street New York 5, N. Y.
COrtlandt 7-4150 Teletype NY 1-928
Private Wires to Principal Offices
San Francisco — Santa Barbara
Monterey — Oakland — Sacramento
Fresno

LAMBORN & CO.
99 WALL STREET
NEW YORK 5, N. Y.
SUGAR
Exports—Imports—Futures
DIgby 4-2727

Digitized for FRASER
http://fraser.stlouisfed.org/

Policy Issues at Export-Import Bank

(Continued from page 1384)
stances in each case. In this way the remaining lending authority of the Export-Import Bank will be used most effectively in carrying out its statutory mandate of financing and facilitating the exchange of commodities between the United States and foreign countries."

Export Credit and Transfer Guaranties

On the subject of export credit guaranties, Mr. Martin stated: "The Export-Import Bank is continuing to give careful study to current proposals for the extension by it of export credit and transfer guaranties. With regard to credit guaranties, it has not appeared to the Bank that the need for short-term credit guaranties in the United States is large enough to warrant the establishment of a general system under its administration. The Bank has also had doubts about entering a field of activity which might be considered more appropriate for private enterprise and has therefore taken the position that there should be a convincing demonstration of need for a government system.

"With respect to export credit risks which exceed normal commercial risks and which business firms are unwilling to assume, or private financial institutions to underwrite, the Export-Import Bank has for many years stood ready to relieve exporters of credit risk (and transfer risk as well) by extending credits without recourse on the exporter to finance specific export transactions.

"With respect to transfer guaranties, as stated in our latest report to the Congress, the Bank has made an extensive investigation of need and feasibility, without reaching, however, any final conclusions regarding the advisability of offering them to United States exporters. The subject is one in which there seems to be widespread interest among exporters and one in which the President's Committee on Financing Foreign Trade has also interested itself. From the point of view of this Committee, as well as from the point of view of the Export-Import Bank, one of the principal questions regarding a government system of transfer guaranties is its possible usefulness in achieving the Bank's objective of encouraging participation by private capital in foreign-trade financing. All aspects of the problem are continuing to receive the close attention of the Bank."

Interest Rates

It will be recalled that the National Advisory Council on International Monetary and Financial Problems (NAC) recommended in September 1945 that the Export-Import Bank's general rate of interest on 20- to 30-year loans to foreign governments for reconstruction purposes should be 3% as compared with a going rate of 4% on other long-term loans. The Bank has naturally followed this recommendation, Mr. Martin pointed out.

The Ex-Imp's report to the Congress records that, on the basis of studies the NAC in July recommended, and the Export-Import Bank adopted, the following policy on interest rates applicable to new loans:

(1) An average or effective rate of 3½% on long-term loans other than reconstruction loans to foreign governments, to agencies of foreign governments, and to private firms when effectively guaranteed by foreign governments or their agencies.

(2) Higher rates on loans to private borrowers not guaranteed by foreign governments or their agencies, if justified by the risk factor.

(3) Rates on short-term loans at the discretion of the Bank.

The recommendation of the NAC was based on a number of considerations. The 3½% rate was calculated to cover the cost to the United States Government of the public money used by the Bank, plus an allowance for risk and for administrative expense judged to be the minimum necessary to keep the Bank on a self-sustaining basis. It was deemed adequate to make possible the fixing of interest rates on foreign securities issued under Export-Import Bank agreements sufficiently above rates on domestic securities to attract private participation, while avoiding burdensome charges on foreign borrowers. It represented a reduction from rates charged in the past by the Export-Import Bank and thus reflected the general reduction in interest rates over the past several years. At the time the rate was adopted, it was believed to be in conformity with the rate which would be charged by the World Bank on its loans of comparable maturity, so that the division of function between the World Bank and the Export-Import Bank could be worked out without the complication of a significant difference in the effective cost of money to borrowers from the two institutions. However, with the actual determination by the World Bank of interest and other charges on its loans, or because of other changing conditions, it may be necessary to review and revise this judgment, the Export-Import Bank reports.

Imports Must Be Increased

In view of the growing creditor position of the United States resulting from postwar credits to foreign countries, it is evident to the Ex-Imp as well as others that useful and economically desirable imports into the United States should be stimulated by all appropriate means, so as to make it possible both to export American products in large volume and to receive interest and principal payments on foreign loans. The Export-Import Bank expresses the belief "that it can play a useful role in furthering this purpose. The contribution of proposed loans to improving the balance-of-payments position of the borrowing country has always been an important factor in their consideration by the Bank and should be given even more weight in the future."

"This approach" the report continues, "refers particularly to credits extended on application of foreign entities. Other credits which would be effective in developing imports into the United States may be extended on application of United States citizens who desire either financing of production in a foreign country under their own control or financing to be channeled through them in the form of advance payments for goods to be delivered.

"There are still other methods open to the Bank of carrying out its mandate from the Congress to facilitate the import as well as the export trade of the United States and in this way also to improve the prospects of repayment of its existing loans.

"It can explore with representatives of foreign countries owing substantial sums to the Bank steps necessary and appropriate to encourage on a selective basis imports from such countries into the United States.

"It can arrange with other government agencies, or, if necessary, with private agencies, for research studies of the possibilities of foreign production of articles which could be usefully and economically imported into the United States.

"It can ascertain from foreign agencies in the United States the means they have found most effective in stimulating sales of their national products and what assistance the Export-Import Bank might lend to their efforts.

"It can work with national import associations and with other public and private agencies to ascertain means of removing the obstacles to larger imports constituted by poor distribution facilities for imported specialities.

"In all of these and other ways, the Export-Import Bank can increase its contribution to the maintenance of a high level of two-way foreign trade for the United States."

Foreign Trade Outlook for 1947

In his report to Congress covering the second half of 1947, William McC. Martin, in addition to reviewing operations of the Export-Import Bank tells of the outlook for our foreign trade and the international debt structure. According to his report:

"The general pattern of foreign trade and other international transactions which prevailed during 1946 will prevail also during 1947, with some significant differences, however, in the way in which the credit balance due the United States will be financed. The prospect is that commercial exports of goods from the United States will increase as compared with 1946, but that other transfers of goods to foreign countries and particularly of surplus goods located abroad, will be much less than in 1946. Imports from foreign countries should increase substantially in 1947 because of increased supplies of raw materials and other foreign products actively demanded by the United States. The value of services supplied to foreign countries by the United States will decline somewhat and the value of services received from foreign countries will at the same time increase. All factors taken into account, it may be conjectured that the credit balance due the United States on account of goods and services to be supplied during 1947 will be of the order of $7 billion as compared with $8.2 billion in 1946.

"Because of the termination of the UNRRA program during the first half of the year, contributions by the United States in 1947 will be considerably smaller than in 1946. The proposed foreign relief program to be administered by the United States Government directly would be of much smaller proportions than the United States contribution to UNRRA. If the new foreign relief program is approved, if the civilian supply program administered by the military authorities in occupied areas goes forward on the scale now proposed, and if private donations to foreign countries continue at the 1946 level, total contributions of the United States in 1947 may be expected to finance the prospective credit balance to the extent of more than $2 billion.

"Drawings by foreign countries against previously authorized and new credits from the United States Government will probably be smaller in the aggregate during 1947 than they were in 1946. Loan disbursements by the Export-Import Bank are expected to continue at about the 1946 rate, that is, to be approximately $1 billion for the year. Disbursements under the British loan during 1947 will be larger than in 1946, both because the credit was available only during the last half of 1946 and because the convertibility of sterling beginning July 15, 1947, may result in an increased drain upon British dollar resources. On the other hand, the lend-lease "pipeline" credits will not figure significantly in the 1947 balance of payments, and the utilization of surplus property credits by foreign countries will be small, since most of the surplus property located abroad was disposed of before the end of 1946. Drawings by foreign countries during 1947 on these and other United States Government credits may be expected to total roughly $3 billion. Disbursements under dollar loans made by the International Bank for Reconstruction and Development, foreign loans and investments by private United States investors, the purchase of dollars from the International Monetary Fund by its members, and the sale to the United States by foreign countries of their new gold production will provide additional funds to help cover the prospective credit balance payable to the United States on goods and services in 1947.

"Thus, the prospect is that a high level of United States exports can be financed during 1947 without any serious drain on the existing gold and dollar resources of foreign countries.

"The existence of large gold and dollar reserves in the hands of foreign monetary authorities augurs well for the maintenance over the next several years of a high level of exports from the United States and the prompt servicing by foreign countries of their mounting indebtedness to the United States. These reserves, which constitute a cushion against a decline in the capacity of foreign countries to buy United States products and against default on foreign loans, amounted to more than $19 billion at the end of 1946, as compared with about $11½ billion at the end of 1941. Their uneven distribution among countries, however, makes the effectiveness of the cushion uncertain as regards individual foreign markets and debtor countries.

"There are also potentially available for financing the credit balance due the United States during the postwar transition period the dollar resources of the International Bank and Monetary Fund, amounting to more than $4 billion;[1] the uncommitted lending authority of the Export-Import Bank, which was approximately $900 million at the end of the year, the unexpended balance of the British loan amounting to $3,150,000,000; the annual production of gold outside the United States running currently at the rate of about $700,000,000 per annum; and private foreign investment through the purchase of the obligations of the International Bank or through other channels.

"The existence of these potential financial means for maintaining a high level of United States exports and making possible a heavy surplus of exports over imports during the next several years should not obscure, however, the fundamental importance to the United States, as consumer and creditor, of maintaining a high and rising volume of imports. As consumer, the country is enriched by importing many kinds of goods that are not produced at home or are produced at home less advantageously than abroad; as creditor, it must receive imports as the principal means by which foreign countries can make payments of interest and principal on their debts to the United States. The prospects of bringing imports ultimately into a proper balance with exports are bright so long as the economy of the United States is kept running at a high level and on an even keel, and so long as the program from the reciprocal reduction of barriers to trade is vigorously pushed forward.

1 The figure represents the sum of the paid-in capital of the International Bank in the form of gold or dollars, the United States contribution to the Monetary Fund, and the estimated gold contributions to the Monetary Fund of its other members.

E. F. Hutton & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — E. F. Hutton & Company, Central Bank Building, has added Theodore F. Patch to the firm's staff.

Sterling Balance Talks Fail: Einzig

(Continued from page 1379)
as a result of the campaign in favor of putting forward counterclaims representing the creditor countries' share in Britain's war expenditure. This campaign has been immensely popular, and the Government could ill afford to disregard it. In fact, Mr. Dalton definitely committed himself to the principle of putting forward counterclaims instead of relying on the reasonable attitude of the creditor Governments in face of mere arguments pleading for concessions.

Judging by the negative result of the talks with India, any possibility for the conclusion of agreements by the time limit of July 15, 1947, must now be ruled out. The only country with which an agreement has so far been concluded was Argentina, which country repurchased the British-owned railroads with the aid of its sterling balances. Possibly agreements may be reached with several other minor creditors on a similar basis. The three largest creditors, India, Egypt and Iraq, however, hold sterling balances well in excess of British investments in these countries, so that the settlement of the former with the aid of the latter cannot be effected.

In any case the balance of payments is a matter of grave concern in London. Indeed, among all Britain's economic worries—and there are many of them—it is considered to be by far the gravest. The Government is unwilling to aggravate it even further by agreeing to liberal terms of repayment for the sterling balances. The estimated deficit of £350,000,000, which is to be covered by external loans this year, is expected in many quarters to be too optimistic, in view of the effect of the fuel crisis on exports and imports. The Government views with concern the effect of the impending restoration of the convertibility of sterling on the drain on Britain's dollar reserve. In the circumstances there seems to be no device but to refuse to sign any funding agreements unless and until the creditor Governments have adopted a more conciliatory attitude.

Conn. Inv. Bankers Elect New Officers

HARTFORD, CONN.—At the annual meeting held on Feb. 27, 1947, the following officers were elected for the coming year by the Connecticut Investment Bankers Association: President: Andrew L. Tackus, Putnam & Co.; Vice-President: Everett B. Miller, Robert C. Buell & Co.; Secretary-Treasurer: Marshall H. Williams, Day, Stoddard & Williams, Inc.

Andrew L. Tackus

The following Governors were elected to serve until March 1, 1951:

George L. Austin, G. L. Austin & Co.; W. Thurston Rowley, Conning & Co. and Ballard; Harold E. Faust, Equitable Securities Co., and S. Jackson Steiner, Jackson Steiner & Co., to fill the unexpired term caused by the decease of V. Russell Leavitt (to expire March 1, 1950).

Truman Asks Aid for Both Greece and Turkey

(Continued from first page)
to work out a way of life free from coercion. The text of the message follows:

Mr. President, Mr. Speaker, members of the Congress of the United States:

The gravity of the situation which confronts the world today necessitates my appearance before a joint session of the Congress.

The foreign policy and the national security of this country are involved.

One aspect of the present situation, which I wish to present to you at this time for your consideration and decision, concerns Greece and Turkey.

The United States has received from the Greek Government an urgent appeal for financial and economic assistance. Preliminary reports from the American Economic Mission now in Greece and reports from the American Ambassador in Greece corroborate the statement of the Greek Government that assistance is imperative if Greece is to survive as a free nation.

I do not believe that the American people and the Congress wish to turn a deaf ear to the appeal of the Greek Government.

Greece is not a rich country. Lack of sufficient natural resources has always forced the Greek people to work hard to make both ends meet. Since 1940, this industrious and peace-loving country has suffered invasion, four years of cruel enemy occupation, and bitter internal strife.

When forces of liberation entered Greece they found that the retreating Germans had destroyed virtually all railways, roads, port facilities, communications and merchant marine. More than a thousand villages had been burned. Eighty-five per cent of the children were tubercular. Livestock, poultry and draft animals had almost disappeared. Inflation had wiped out practically all savings.

As a result of these tragic conditions, a militant minority, exploiting human want and misery, was able to create political chaos which, until now, has made economic recovery impossible.

Position of Greece

Greece is today without funds to finance the importation of those goods which are essential to bare subsistence. Under these circumstances the people of Greece cannot make progress in solving their problems of reconstruction. Greece is in desperate need of financial and economic assistance to enable it to resume purchases of food, clothing, fuel and seeds. These are indispensable for the subsistence of its people and are obtainable only from abroad. Greece must have help to import the goods necessary to restore internal order and security so essential for economic and political recovery.

The Greek Government has also asked for the assistance of experienced American administrators, economists and technicians to insure that the financial and other aid given to Greece shall be used effectively in creating a stable and self-sustaining economy and in improving its public administration.

The very existence of the Greek state is today threatened by the terrorist activities of several thousand armed men, led by Communists, who defy the government's authority at a number of points, particularly along the northern boundaries. A commission appointed by the United Nations Security Council is at present investigating disturbed conditions in northern Greece and alleged border violations along the frontier between Greece on the one hand and Albania, Bulgaria and Yugoslavia on the other.

Meanwhile, the Greek Government is unable to cope with the situation. The Greek Army is small and poorly equipped. It needs supplies and equipment if it is to restore the authority of the government throughout Greek territory.

Greece must have assistance if it is to become a self-supporting and self-respecting democracy.

U. S. Must Supply Relief

The United States must supply that assistance. We have already extended to Greece certain types of relief and economic aid but these are inadequate.

There is no other country to which democratic Greece can turn.

No other nation is willing and able to provide the necessary support for a democratic Greek Government.

The British Government, which has been helping Greece, can give no further financial or economic aid after March 31. Great Britain finds itself under the necessity of reducing or liquidating its commitments in several parts of the world, including Greece.

Situation Too Urgent for United Nations

We have considered how the United Nations might assist in this crisis. But the situation is an urgent one requiring immediate action, and the United Nations and its related organizations are not in a position to extend help of the kind that is required.

It is important to note that the Greek Government has asked for our aid in utilizing effectively the financial and other assistance we may give to Greece, and in improving its public administration. It is of the utmost importance that we supervise the use of any funds made available to Greece, in such a manner that each dollar spent will count toward making Greece self-supporting, and will help to build an economy in which a healthy democracy can flourish.

No government is perfect. One of the chief virtues of a democracy, however, is that its defects are always visible and under democratic processes can be pointed out and corrected. The Government of Greece is not perfect. Nevertheless it represent 85% of the members of the Greek Parliament who were chosen in an election last year. Foreign observers, including 692 Americans, considered this election to be a fair expression of the views of the Greek people.

The Greek Government has been operating in an atmosphere of chaos and extremism. It has made mistakes. The extension of aid by this country does not mean that the United States condones everything that the Greek Government has done or will do. We have condemned in the past, and we condemn now, extremist measures of the Right or the Left. We have in the past advised tolerance, and we advise tolerance now.

Turkey Also Deserves Attention

Greece's neighbor, Turkey, also deserves our attention.

The future of Turkey as an independent and economically sound state is clearly no less important to the freedom-loving peoples of the world than the future of Greece. The circumstances in which Turkey finds itself today are considerably different from those of Greece. Turkey has been spared the disasters that have beset Greece. And during the war the United States and Great Britain furnished Turkey with material aid.

Nevertheless, Turkey now needs our support.

Since the war Turkey has sought financial assistance from Great Britain and the United States for the purpose of effecting that modernization necessary for the maintenance of its national integrity.

That integrity is essential to the preservation of order in the Middle East.

The British Government has informed us that, owing to its own difficulties, it can no longer extend financial or economic aid to Turkey.

As in the case of Greece, if Turkey is to have the assistance it needs the United States must supply it. We are the only country able to provide that help.

Admits Broad Implications of Move

I am fully aware of the broad implications involved if the United States extends assistance to Greece and Turkey, and I shall discuss these implications with you at this time.

One of the primary objectives of the foreign policy of the United States is the creation of conditions in which we and other nations will be able to work out a way of life free from coercion. This was a fundamental issue in the war with Germany and Japan. Our victory was won over countries which sought to impose their will, and their way of life, upon other nations.

To ensure the peaceful development of nations, free from coercion, the United States has taken a leading part in establishing the United Nations. The United Nations is designed to make possible lasting freedom and independence for all its members. We shall not realize our objectives, however, unless we are willing to help free people to maintain their free institutions and their national integrity against aggressive movements that seek to impose upon them totalitarian regimes. This is no more than a frank recognition that totalitarian regimes imposed on free peoples, by direct or indirect aggression, undermine the foundations of international peace and hence the security of the United States.

The peoples of a number of countries of the world have recently had totalitarian regimes forced upon them against their will. The Government of the United States has made frequent protests against coercion and intimidation, in violation of the Yalta agreement, in Poland, Rumania, and Bulgaria. I must also state that in a number of other countries there have been similar developments.

At the present moment in world history nearly every nation must choose between alternative ways of life. The choice is too often not a free one.

One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guaranties of individual liberty, freedom of speech and religion, and freedom from political oppression.

The second way of life is based upon the will of a minority forcibly imposed upon the majority. It relies upon terror and oppression, a controlled press and radio, fixed elections, and the suppression of personal freedoms.

U. S. Must Support Free Peoples

I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures.

I believe that we must assist free peoples to work out their own destinies in their own way. I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes.

The world is not static, and the status quo is not sacred. But we cannot allow changes in the status quo in violation of the Charter of the United Nations by such methods as coercion, or by such subterfuges as political infiltration. In helping free and independent nations to maintain their freedom, the United States will be giving effect to the principles of the Charter of the United Nations.

It is necessary only to glance at a map to realize that the survival and integrity of the Greek nation are of grave importance in a much wider situation. If Greece should fall under the control of an armed minority, the effect upon its neighbor, Turkey, would be immediate and serious. Confusion and disorder might well spread throughout the entire Middle East.

Moreover, the disappearance of Greece as an independent State would have a profound effect upon those countries in Europe whose peoples are struggling against great difficulties to maintain their freedoms and their independence while they repair the damages of war. It would be an unspeakable tragedy if these countries, which have struggled so long against overwhelming odds, should lose that victory for which they sacrificed so much. Collapse of free institutions and loss of independence would be disastrous not only for them but for the world. Discouragement and possibly failure would quickly be the lot of neighboring peoples striving to maintain their freedom and independence.

Should we fail to aid Greece and Turkey in this fateful hour, the effect will be far-reaching to the West as well as to the East. We must take immediate and resolute action.

Requests $400 Million

I therefore ask the Congress to provide authority for assistance to Greece and Turkey in the amount of $400,000,000 for the period ending June 30, 1948. In requesting these funds, I have taken into consideration the maximum amount of relief assistance which would be furnished to Greece out of the $350,000,000 which I recently requested that the Congress authorize for the prevention of starvation and suffering in countries devastated by the war.

In addition to funds, I ask the Congress to authorize the detail of American civilian and military personnel to Greece and Turkey, at the request of those countries, to assist in the tasks of reconstruction, and for the purpose of supervising the use of such financial and material assistance as may be furnished. I recommend that authority also be provided for the instruction and training of selected Greek and Turkish personnel.

Finally, I ask that the Congress provide authority which will permit the speediest and most effective use, in terms of needed commodities, supplies and equipment, of such funds as may be authorized.

If further funds, or further authority, should be needed for purposes indicated in this message, I shall not hesitate to bring the situation before the Congress. On this subject the executive and legislative branches of the Government must work together.

A Serious Course

This is a serious course upon which we embark. I would not recommend it except that the alternative is much more serious.

The United States contributed $341,000,000,000 toward winning World War II. This is an investment in world freedom and world peace. The assistance that I am recommending for Greece and Turkey amounts to little more than one-tenth of 1% of this investment. It is only common sense that we should safeguard this investment and make sure that it was not in vain.

The seeds of totalitarian regimes are nurtured by misery and want. They spread and grow in the evil soil of poverty and strife. They reach their full growth when the hope of a people for a better life has died. We must keep that hope alive.

The free peoples of the world look to us for support in maintaining their freedoms. If we falter in our leadership, we may endanger the peace of the world—and we shall surely endanger the welfare of our own nation.

Great responsibilities have been placed upon us by the swift movement of events. I am confident that the Congress will face these responsibilities squarely.

Dallas Rupe & Son Elects Directors

DALLAS, TEX.—The board of directors of Dallas Rupe & Son, Kirby Building, elected R. A. Ritchie and Joseph B. Warren to fill vacancies on the board. The other directors are D. Gordon Rupe, Jr., W. Rex Cromwell, and Carrol M. Bennett.

The directors elected D. Gordon Rupe, Jr., President of the company to replace his father, Dallas Rupe, who died recently. T. A. Rose, Jr., was elected a Vice-President of the company, Frank L. Cornwell, formerly General Auditor was elected Treasurer, Robert F. Ritchie was elected Secretary, James W. Beard was elected Auditor and Assistant Treasurer. The other officers of the company are W. Rex Cromwell, Carrol M. Bennett, Joseph B. Warren, Lewis W. Bailey, Vice-Presidents; T. G. Snowden, Cashier and Assistant Secretary, and Ed S. Otto, Assistant Secretary.

Phila. Stock Exchange Re-Elects F. E. Baker

PHILADELPHIA, PA. — The Philadelphia Stock Exchange at its annual meeting re-elected Frank E. Baker, Baker, Weeks & Harden, President.

Elected to the Board of Governors for three year terms were: William K. Barclay, Jr., Stein Bros. & Boyce; Harry C. Dackerman, Dackerman & Waber; Robert Y. Guarniery, R. Y. Guarniery & Co.; George E. Snyder, Jr., Geo. E. Snyder & Co.; Harold P. Woodcock, Woodcock, McLear & Co.; Spencer D. Wright, Jr., Wright, Wood & Co; and John S. Wynn, J. W. Sparks & Co. Ralph E. Pendergast, Paul & Co., Inc.; Charles Sheridan, Sheridan Bogan Co.; and Edward B. Smith, Jr., Smith, Barney & Co. were elected for one year terms.

Guests of N. Y. Curb

Etienne C. Biernaux, Treasurer of the Brussels Stock Exchange, Brussels, Belgium, and Gaston Kleefeld, a member of that exchange, were the guests of the New York Curb Exchange at a luncheon at the exchange March 6. Francis Adams Truslow, who took office as President of the Curb Exchange last week, was host, and Edward C. Werle, Chairman of the Curb, Fred C. Moffatt, Chairman of the exchange public relations committee, William A. Lockwood, general counsel of the Curb, Howard Sykes, a governor of the exchange, and Henry L. deGive, partner in Reed, Mulligan, Crane & deGive, of counsel for the Curb, were also present.

Mutual problems surrounding the possibilities of trading in American securities in Brussels and in Belgian securities in New York were the subject of discussion during the meeting. The Belgium exchange representatives visited the floor of the Curb Exchange in the company of Mr. Werle and Mr. Moffatt and viewed stock trading at one of the posts.

On Member Firm Comm.

Charles Moran, Jr., of Francis I. duPont & Co., a governor of the New York Curb Exchange, has been appointed Vice-Chairman of the exchange committee on member firms.

Digitized for FRASER
http://fraser.stlouisfed.org/

State Bank Resources Reflect Importance

Although United States Government deposits dropped sharply with the end of war financing during 1946, the 9,585 State-supervised banks continued to reflect their importance in the national economy through the growth of their deposits of individuals, partnerships, and corporations, and the expansion of their loans and discounts, it was announced on March 3 by Thomas W. Leggett, President of the National Association of Supervisors of State Banks, and Bank Commissioner of Arkansas, in releasing jointly with the State Bank Division of the American Bankers Association a semi-annual report on assets and liabilities of State-supervised banks. The report shows the total resources of all State-supervised banks in the 48 states, the District of Columbia, and the Territory of Hawaii aggregated $84,148,564,000 at the close of business Dec. 31, 1946. This was a decrease of $1,842,768,000, or 2.1%, compared with June 29, 1946, and $3,281,961,000 during the year 1946. This decrease of $1,842,768,000 is accounted for by a drop of $3,797,584,000 in holdings of the United States Government obligations during the six-month period. As to the further showing of these institutions, the advices from the ABA state:

"State-supervised institutions numbered 9,585 and consisted of 9,018 commercial banks (loan and trust companies, stock savings banks, industrial bank and cash depositories), 531 mutual savings banks, and 36 private bankers. The 9,585 banks had 2,144 branches. Deposits of State-supervised banks continued to decrease since June 29, 1946 from $79,193,313,000 to $77,337,232,000 of which $60,240,122,000 was held by commercial banks, $16,811,405,000 by mutual savings banks, and $285,705,000 by private bankers. Demand deposits of individuals, partnerships, and corporations increased from $34,172,890,000 to $35,718,414,000, time deposits made by the same groups increased from $31,031,115,000 to a total of $31,988,480,000, while United States Government deposits showed a decrease of $4,438,538,000 to $1,388,995,000. All other deposits increased $79,568,000 to $8,241,343,000. Loans and discounts aggregated $18,404,430,000 representing an increase of $1,354,813,000 since June 29, 1946.

"Holdings of government securities continued to decrease reflecting the policy of debt retirement by the government and totaled $45,051,031,000 on Dec. 31, 1946. This represents a decrease of $3,797,584,000, or 7.8% in the last six months of the year. Other securities amounted to $4,738,903,000, while cash, balances with other banks, and reserves with Federal Reserve Banks totaled $15,088,821,000.

"Capital stock of State-supervised institutions, including capital debentures and common and preferred stock, totaled $1,519,478,000; surplus, $3,106,928,000; undivided profits, $1,274,364,000; and reserves $381,816,000; giving total capital accounts of $6,282,586,000, an increase of $16,118,000 since June 29, 1946.

"The average asset distribution, compared to total assets of all State banks showed United States bonds 53.5%; cash, 17.9%; loans and discounts, 21.9%; other bonds, 5.7%; all other assets, 1.0%. Total capital accounts amounted to 7.5% of total liabilities."

The State Bank Division of the American Bankers Association will soon publish its annual study showing in detail the assets and liabilities, and the earnings and expenses of all State-supervised banks.

SEC Disclosure Rule Again to Fore

(Continued from page 1375)

applying to municipal as well as other securities. What the SEC is this year likely to do is to issue a statement, citing as authority for its powers to compel disclosure, another section of the existing law which excludes from its scope municipal bonds. Thereby, it is thought the opposition to the still pending SEC proposed rule from a small segment of the investment business may be eliminated.

Meanwhile, Commissioners and key officials of the SEC met today in executive session with members of the House Interstate and Foreign Commerce Committee to discuss any proposed amendments to the basic laws under which the commission functions. The meeting was arranged by Rep. Charles A. Wolverton, of New Jersey and plans called for the attendance of Commissioners Robert K. McConnaughey, Richard B. McEntire and Edmond M. Hanrahan, in addition to SEC Chairman James J. Caffrey.

Among the developments at the conference was the presentation by Chairman Caffrey of a 47-page "progress" report on the SEC-industry discussions looking toward possible amendments to the securities laws.

Concerning the above-mentioned bill, H. R. 1881, the commission's statement said:

"H.R. 1881 has been introduced in this Congress to exempt transactions in municipal bonds from certain of the fraud provisions of the Securities Exchange Act. As the statute stands now, municipals are exempted from all registration requirements but they are subject to the anti-fraud provision of the Act. The Commission believes that this Bill should be considered by the Congress, along with the other proposals for amendments of the Securities Act and Securities Exchange Act growing out of the pending joint study."

With respect to other recommendations for amendments to the securities Acts, the statement contained the following passages:

"As some of you gentlemen know, in 1940, the Commission and various interested groups in the financial community undertook a joint study of the operation of the Securities Act and the Securities Exchange Act with a view to presenting recommendations to the Congress for any amendments believed to be necessary. This study, as well as hearings before this Committee on bills proposing amendments to these statutes, were interrupted by the war. The study has recently been resumed. The Commission, by general and specific invitations is seeking the maximum public participation in the study and has held a series of conferences with representatives of State Securities Commissions, associations of lawyers and accountants, insurance companies and other institutional investors, dealers, underwriters, and issuers. We have also received many suggestions from interested members of the public. We are now in the process of collating the suggestions received and developing our own proposals for amendment of the statutes. As soon as the suggestions from all sources are developed in definitive form, they will be circulated to the interested groups and persons for comment. Thereafter, with the areas of agreement and disagreement marked out, the Commission proposes to report to Congress. At present the bulk of the suggestions received relate to the procedure for registration of securities and the use of the statutory prospectus.

"At the time the recommendations for amendments are submitted, the Commission also expects to renew the recommendation made by it in 1946 to extend the reporting and proxy requirements to the larger unregistered companies. This recommendation was incorporated in a bill introduced in the closing weeks of the last Congress as H.R. 7151.

"The Lea Bill, introduced as H.R. 3691 in the last Congress, would have amended the Investment Advisers Act of 1940 to give the Commission the same power of inspection of the books and records of investment advisers as it now has under the Securities Exchange Act with respect to the books and records of brokers and dealers. I have referred previously to the manner in which the absence of such power limits the Act's effectiveness in protecting the investor. And the Commission recommends the enactment of legislation to deal with this problem."

Return to Washington

On the subject of the SEC's moving back to Washington, Mr. Caffrey's statement said:

"We have discussed this matter of a return to Washington with the President, members of Congress who have expressed interest in the matter and with various interested officials in the Bureau of the Budget and the Public Buildings Administration. All of those with whom the subject has been discussed have indicated their concurrence in the view that the move should be made as soon as possible. We have been informed that the SEC is high up on the Public Buildings Administration's list of agencies to return to Washington, that consideration has been given to an appropriate office building for the Commission, but that no specific assignment of a building has yet been made.

"We have also been advised that the budget, as submitted, includes funds to cover the move of certain agencies including the Commission, and that the next step must await Congressional consideration of the Budget. While no definite date has been assigned, it has been indicated that if the approved budget includes the necessary funds, the move will take place shortly after such approval."

Amended Bill Reveals Details on Proposed SEC for N. Y. State

(Continued from page 1378)

ARTICLE II

STATE SECURITIES CONTROL BOARD

Section 3. State securities control board.
4. Appointment.
5. Expenses.
6. Removal.
7. Vacancies; quorum.
8. Executive officer; employees; offices.
9. Disqualification of members and employees.
10. Powers of the board.
11. Oath of office; bonds.

§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.

§6. Removal. Any member of the board may be removed for cause after an opportunity to be heard.

§7. Vacancies; quorum. In the event of a vacancy caused by the death, resignation, removal or disability of any member, the vacancy shall be filled by the governor by and with the advice and consent of the senate for the unexpired term. Three members of the board shall constitute a quorum for the purpose of conducting the business thereof; but a majority vote of all members in office shall be necessary for action.

§8. Executive officer; employees; offices. The board shall appoint a chief executive officer and fix his compensation within the budgetary appropriation therefor. Such executive officer shall, subject to the supervision and control of the board, exercise any of the powers, functions and duties conferred upon the board by law which the board may delegate to him. The board shall also have power to engage necessary deputies, assistants, inspectors and employees within the limits provided by appropriation. The executive officer, and other assistants, inspectors and employees of the board shall all be in the competitive class of the civil service. The board shall have its principal office in the city of Albany, and may maintain a branch office in the cities of New York and Buffalo and such other places as it may deem necessary.

§9. Disqualification of members and employees. No member of the board or any officer, deputy, assistant, inspector or employee thereof shall have any interest, direct or indirect, either proprietary or by means of any loan, mortgage or lien, or in any business wholly or partially devoted to the buying, selling or dealing in stocks, bonds or other securities. Any one who violates any of the provisions of this section shall be removed.

§10. Powers of the board. The board shall have the following powers, functions and duties:

(1) To grant and revoke for cause licenses to persons to buy, sell or otherwise deal in stocks, bonds or securities in the manner provided hereinafter.

(2) To keep records in proper form to be prescribed by the board of all licenses issued and all licenses revoked of persons buying, selling or otherwise dealing in stocks, bonds or securities.

(3) To adopt rules and regulations for the supervision and regulation of persons buying, selling or otherwise dealing in stocks, bonds or securities.

(4) To carry on by its agents or employees inspections of any premises where stocks, bonds or securities are bought, sold or dealt in.

(5) To prescribe forms of applications for licenses under this law and of all periodic reports which they deem necessary to be made by any licensee.

(6) To make an annual report to the governor and the legislature of its activities for the past year. This report shall include the amount of license fees collected and such other information as it deems advisable.

(7) To examine or cause to be examined under oath any licensee and examine or cause to be examined the books and records of any such licensee; to hear testimony and take proof material for its information; to administer oaths; and for any such purpose to issue a subpoena or subpoenas to require the attendance of witnesses and the production of books, which shall be effective in any part of the state. The powers provided in this subdivision may be delegated by the board to any member or employee thereof. The provisions of the civil practice act shall, where practicable, apply to such subpoenas.

§11. Oath of office; bonds. Each member of the board shall, before entering upon his duties, take and file an oath of office as prescribed by section ten of the public officers law and shall execute an undertaking in the penal sum of ten thousand dollars, as prescribed by and to the effect provided for in section eleven of the public officers law. The board may require any officer or employee of the board to file with the comptroller a bond in such

penal sum as it may deem necessary, conditioned for the proper and faithful performance of his duties hereunder and the satisfactory accounting of all moneys received or disbursed by such officer or employee pursuant to this law.

ARTICLE III

BUYING, SELLING OR DEALING IN STOCKS, BONDS OR SECURITIES

Section 12. Buying, selling or dealing in stocks, bonds or securities forbidden without licenses.
13. Inapplicability of act to certain classes of securities.
14. License.
15. Statements to be made in applications for license.
16. License fees; when due and payable; renewals.
17. Disposition of moneys.
18. Revocation of license.
19. Review by courts.
20. Posting license.
21. Penalties for violations.
22. Time of taking effect.

§12. Buying, selling or dealing in stocks, bonds or securities forbidden without license. No person who engages either wholly or in part in the business of buying, selling, offering for sale, negotiating for the sale of or otherwise dealing in any stocks, bonds or other securities within the state after January first, nineteen hundred forty-eight without a license therefor issued by the state board as hereinafter provided.

§13. Inapplicability of act to certain classes of securities. The provisions of this act shall not apply to the buying, selling or dealing in any stock, bond or other security listed on the New York stock exchange, any security issued or guaranteed by any foreign government with which the United States is maintaining diplomatic relations, or political subdivision thereof having the power of taxation or assessment.

§14. License. Any person may apply to the state board for a license to buy, sell or otherwise deal in stocks, bonds or other securities within this state. Such application shall be in writing and verified, and shall set forth in detail such information concerning the application for said license as the state board may require. Said application shall be accompanied by a certified check, or cash, or postal money order for the amount required by this chapter for such license. If the state board shall deny the application it shall return the fee to the applicant. If the state board shall grant the application, it shall issue a license in such form as shall be determined by rules.

§15. Statements to be made in application for license. In addition to such other information as the state board may determine shall be furnished in any application for license under this act, the following information shall be given under oath:

(1) 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 on applying, and the facts as to his or their citizenship;

(2) The name and residence of each person interested, or to become interested, in the business of buying, selling or otherwise dealing in stocks, bonds or other securities for which the application is made, together with the nature of such interests; and if such applicant be a corporation, the application shall set forth the name of the corporation, the names of its directors or other governing body, the names of its officers and stockholders if it be a stock corporation, and the state under the laws of which it is organized;

(3) A statement that such applicant has not been convicted of a felony; and has not had a license issued to him under this act revoked for cause within two years prior to the date of such application. If there be any change, after the granting of a license, in any of the facts required to be set forth in such application, notice of such change shall be filed with the board within ten days after such change in verified form. Failure to do so shall, if the board find that it was wilful and deliberate, be cause for revocation of the license. In giving any notice, or taking any action in reference to a license, the board may rely upon the information furnished in such application and in any supplemental statement connected therewith, and such information may be presumed by such board to be correct, and shall be binding upon a licensee as if correct. All information required to be furnished in such applications or supplemental statement shall be deemed material in any prosecution for perjury.

§16. License fees; when due and payable; renewals. The fee for a license to engage in the business of buying, selling or otherwise dealing in stocks, bonds or other securities shall be the sum of five hundred dollars per year.

Each license shall be issued for a license year expiring on the thirty-first day of December following the date of its issuance and the license fee prescribed therefor by this section shall be paid in advance at the time the application therefor shall be made as provided by this act.

Each license issued pursuant to this act may be renewed upon application therefor by the licensee and payment of the annual fee for such license. In case of application for renewal of licenses, the board may dispense with the requirement of such statements as it deems unnecessary in view of those contained in the application made for the original license. The board shall make rules regarding applications for renewal of licenses and the time when such application shall be made.

§17. Disposition of moneys. Moneys received for license fees provided for in this act shall be turned over by the board to the state comptroller as provided by law.

§18. Revocation of licenses. Any license issued pursuant to this act may be revoked for cause, and must be revoked for the following causes:

(1) Misrepresentation, either as to the financial worth, merits, value or price of any stock, bond or other security.

(2) Charging more than the commission allowed by any regularly recognized stock or purchase exchange for the buying or selling of any stock, bond or other security.

(3) Bucketing, or while acting as a broker under orders to purchase or sell stocks, bonds or other securities for customers, selling or purchasing for his own account of the same stocks, bonds or securities with intent to trade against the customer's order.

(4) For being in the condition of insolvency.

(5) For failing to keep or maintain sufficient records to permit an audit satisfactorily disclosing to the board the true condition of the business.

(6) For making any false material statement in an application for a license.

(7) For failure or default of a licensee to pay any tax, relating to stocks, bonds or securities, or any part thereof, and/or penalties imposed by or under the tax law, and for a violation of any rule or regulation of the state tax commission in pursuance thereof.

§19. Review by the courts. The following actions by the board shall be subject to review by the supreme court in the manner provided in article seventy-eight of the civil practice act, or by other appropriate remedy, except that no stay be granted pending the determination of the matter. Proceedings to review any action by the board shall be brought in the third department.

(1) The refusal by the board to issue a license.

(2) The revocation of a license by the board.

§20. Posting of license. Before commencing or doing any business for the time for which a license has been issued said license shall be posted up and at all times displayed in a conspicuous place in the room where such business is carried on. Whenever a license shall be lost or destroyed without fault on the part of the licensee or his agents or employees, a duplicated license in lieu thereof may be issued by the board in its discretion and in accordance with such rules and regulations and such payment of fees as it may prescribe.

§21. Penalties for violations:

(1) Any person who after January first, nineteen hundred forty-eight, engages either wholly or in part in the business of buying, selling or otherwise dealing in stocks, bonds or other securities, without having an appropriate license therefor, or whose license has been revoked or canceled shall be guilty of a misdemeanor and upon conviction therefor shall be punished by a fine of not more than five hundred dollars or by imprisonment in a county jail or penitentiary for a term of not more than six months or both.

(2) Any person who shall make any false statement in the application for a license under this act shall be guilty of a misdemeanor, and upon conviction thereof shall be punishable by a fine of not more than five hundred dollars, or by imprisonment in a county jail or penitentiary for a term of not more than six months or both.

(3) Any violation by any person of any provision of this law for which no punishment or penalty is otherwise provided shall be a misdemeanor.

(4) Violation by any person of any rule of the board shall be a misdemeanor if such rule so provides and if such rule shall be published in a manner prescribed by such board.

§22. Time of taking effect. This act shall take effect immediately.

Building Material Outlook Good

(Continued from page 1387)

slow-downs when supplies are running short and the lack of experience of many new workers, has further complicated the cost problems. It is reasonable to anticipate that as these abnormal conditions disappear, costs will again drop and the competition between alternative materials suitable for the same building use, or the competition between manufacturers of the same lines of products, will turn price trends downward. Evidence of this has already appeared in the resistance of distributors and dealers toward accumulating inventories of building items still consideerd out of line in price.

Rise in Prices Not Accepted

It is significant that building material prices as compared to 1941 levels have risen less than the average of all commodities and far less than the rise in prices of foods and farm products. People who believe that building material costs are abnormally high are either poorly informed as to the general situation or are drawing their conclusions from isolated examples.

Another important factor in building costs is the great improvement already evident in distribution of building materials. Black markets have largely vanished. During the seasonal slack of this Winter, high production rates have been maintained in most manufacturing enterprises with the result that the pipe lines of supply have been filled and dealers are now accumulating stocks in anticipation of an active Spring and Summer demand. The exceptions already noted are in the case of materials which are priced out of reach of the average builder; in such cases the dealers are simply refraining from building up their inventories and are thus forcing price revisions in the right direction.

Building material costs are only one factor in the finished costs of homes and other structures.

Most of the factors which contributed to abnormal construction costs in 1946 are expected to completely disappear during the coming year. These were: first, black market prices or the forced substitution of high cost specialty products for low cost staple materials; second, shortages in supplies that cause long interruptions in construction schedules; third, labor inefficienmy fostered by the tendency to stretch jobs when materials were being installed faster than they could be delivered; and fourth, the persisting enforcement of work-output restrictions in some highly unionized areas.

Elimination of the first three of these factors can be credited largely to relief from impractical and poorly administered government controls. With increased supplies of materials the exorbitant overheads due to interrupted construction schedules will shrink to normalcy. Jobs that took eight months to a year to complete in 1946 have at least a fair chance of being finished in half to two-thirds that time. Labor inefficiency caused by the natural inclination to slow down when work appears to be running out should be replaced by the normal pressures to complete work on schedule.

The trend in the fourth factor, involving work output restrictions established during the depression years and continued insistence on maximum overtime work as a condition to accepting regular work, cannot be forecast at present. These labor restrictions vary widely from city to city and depend largely upon the attitudes of local rather than national union organizations. Perhpas some clarification will come when Congress reveals its final program for the establishment of fair-play laws affecting labor management relations. Perhaps the biggest influence will come from the unions themselves when they realize that they alone can reduce the cost of living and housing by their own productivity.

Costs and Real Estate Prices

Just as we distinguished between building materials costs and the final costs of finished buildings, we must also distinguish between the costs of the buildings and the prices at which they sell. The final price includes land and improvement costs, overheads and profits. The profit factor is very often directly influenced by the pressure of demand in relation to supply. While the housing shortage remains, prices for new homes are quite likely to be related more closely to local demand and local real estate price levels than to actual construction costs. Some of the larger builders, looking forward to years of continued operation in their communities, are pricing their properties at a fair and normal mark-up over actual costs. Others are undoubtedly charging whatever the market will pay regardless of the long-term value of their properties.

However, even these factors are likely to be influenced by an active construction year. If the industry, free of major work stoppages, succeeds in starting approximately a million dwellings in 1947, the competition of these new homes should bring a downward trend in all housing prices. Existing homes will face the competition of the newer dwellings and their prices will also reflect their true worth.

In the light of all of these conditions it is reasonable to believe that the peak in building costs has been reached and that the future trend will be downward. While it is possible that costs might drop as much as 20% below 1946 peaks, the probability of reaching this level depends so largely on wages and productivity that no safe forecast can yet be made.

Business Man's Bookshelf

Postwar Trends in Foreign Trade of the United States—Foreign Commerce Department, Chamber of Commerce of the United States, Washington 6, D. C.—Paper.

"Security Dealers of North America" — Directory of stock and bond houses in the United States and Canada, 1947 Edition entirely revised—Fabrikoid—$9.00

Southern Pacific Railroad System vs. Pennsylvania Railroad System—research report—Thomas G. Campbell and William T. Campbell, 67 Wall Street, New York 5, N. Y.—$10.00.

With Slayton & Co., Inc.

(Special to The Financial Chronicle)

ST. LOUIS, MO. — Gordon O. Blaine is now with Slayton & Co., Inc., 408 Olive Street.

With Herrick, Waddell

(Special to The Financial Chronicle)

LINCOLN, NEB. — Gordon A. Luikart has been added to the staff of Herrick, Waddell & Co., Inc., 55 Liberty Street, New York City.

With B. C. Christopher Co.

(Special to The Financial Chronicle)

OMAHA, NEB. — Emil J. Von Gillern has been added to the staff of B. C. Christopher & Co., Grain Exchange Building. In the past he was with Harris Upham & Co.

Joins Staff of Otis Co.

(Special to The Financial Chronicle)

AKRON, OHIO—Harlan H. Montis has become affiliated with Otis & Co., Terminal Building, Cleveland. In the past he was with Mayfield-Adams Co. in Akron and prior thereto conducted his own investment business in New York City.

Now With Field Richards

(Special to The Financial Chronicle)

CINCINNATI, OHIO—Joseph B. Wise has joined the staff of Field, Richards & Co., Union Central Building. He was formerly with J. A. White & Co.

gitized for FRASER
p://fraser.stlouisfed.org/

Management's Responsibility for Constructive Legislation

(Continued from page 1387)

certain economsts, was not to create more wealth, but to divide what we had among a greater number of people. Propaganda, and particularly the appeal to self gain at the expense of somebody else, succeeded in advancing this general idea even to the point our Supreme Court actually found it compatible with our written Constitution, under the astonishingly revolutionary interpretation that all such legislation came within the Court's interpretation of these simple words—"General Welfare." And, without these two words in the Constitution, which have been there since 1881, the Court admitted most such laws would have been unconstitutional.

In 1940 it appeared likely this nation would become engaged in a world war. In 1941 we were compelled to become the major participant in that war, to prevent the defeat of those nations that most nearly practice our way of life; and to prevent our own ultimate enslavement. In this national emergency, the lawyers and the economists who had been passing laws to divide the wealth of those who had some, with those who had less, were of little value. They could tell no one the kinds of machines, the type of explosives, the methods of transportation, the ways of communication, or the meaning of logistics necessary to fight a war — if we had had all such things available. They knew much less about the number and size of war plants, where they should be located and how they could be operated; and how they could be built in the shortest possible time, as well as manned by literally millions of individuals who knew nothing about such operations. In that life or death emergency, this nation turned to the brains and special talents of its engineers. The magnificence of that profession's performance is evidenced by the fact this nation was making one-eighth of the war machines of its later-to-become Allies in 1940; but by the end of 1944—a short period of four years —it was making more fighting equipment than all its Allies and all its enemies combined. At the same time it was producing sufficient necessities of life to maintain its home population of 130 million people on a standard of living far superior to that of any other nation in the world. This fantastic, almost unbelievable, accomplishment that has preserved this nation, is credited to the engineering profession of America to a higher degree than any other profession.

Now that the war is over, we are involved in another life and death struggle to prevent a depression of disastrous proportions which has always followed every war we have engaged in. To prevent this depression, the nation desires continuous employment of the maximum number of employables at the highest possible wages; and to produce an uninterrupted flow of products which will be sold at a profit, but at prices less than they are now being sold. In addition, the nation knows we produce more of almost everything than we can use; and in the past this excess has totaled 10% of our total production. This percentage may soon become greater because of our vast increase in productive capacity. The surplus production must be sold to foreign purchasers or there will be a decline in the number employed, as well as the value of all commodities, because the price of a surplus will eventually affect the price of the whole. To sell our surplus products in foreign countries in competition with cheap labor, long hours of work and depreciated currencies, and to buyers with little to pay and just break even on the program, will tax to the maximum the engineering genius of this country. Yet, that is the nation's new assignment to you today.

To undertake this new assignment, and you will—it appears reasonable you and your associates in management should be fortified with such legislation as will give you a fighting chance to succeed. You certainly must know the cost of labor and how much work you will get for what they are being paid. You certainly must know in advance when your employees will work. You certainly must be able to discharge those who will not work, and be allowed to employ some who will. You certainly must be able to decide what work is to be done, how it is to be done, and when it is to be done. You must be able to contract for raw materials at ascertainable prices, and for predictable delivery dates. You must know the amount of taxes you will be required to pay; and you must have confidence in the predictability of the meaning of simple English words written as the law of the land. Today neither you, nor your legal advisors, know for certain any of these pre-requisites for the possibility of accomplishing the nation's vital assignment to you.

When the law of the land requires management to employ more employees than there is work to do, at wages and hours and values of efficiency which the employees determine — then that law should be changed or management will not long survive.

When the law of the land permits one group of employees to compel other employees by bodily force and threats upon their families, to pay a sizable sum of money each month to be allowed to work, and compels them to stop working or only do a limited amount of work — when they want to work—then that law must be changed.

When the law of the land permits a group of employees to compel another group of employees in a distant state whom they do not know to cease working for a management with which neither group has had any disagreement, then that law must be changed.

When the laws of the land are interpreted by the Courts entirely different from the intention of the lawmakers, and at variance with the ordinary meaning of the language employed in the laws, then there must be some changes in the authority of our Courts.

Today the nation is at long last conscious of many inequities that experience with laws directing business through the regulation of human relations has imposed upon our system of Free Enterprise; and these inequities have placed that system in jeopardy to the extent many are in doubt it will survive, unless these laws are constructively modified. In formulating these modifications in the laws affecting business, management must accept its responsibility to preserve the social benefits, such as unemployment insurance, old age benefits and free collective bargaining within the industry that management is responsible for; and to the extent the employees bargaining work under the direction of that management.

Management first and foremost cannot fulfill its duties to its employees, the consumers and the investors and the nation in this coming crisis unless a contract resulting from collective bargaining is enforceable by the law of the land upon both management and employees alike. Management cannot expedite collective bargaining unless the law permits equal freedom in bargaining for both labor and management.

The management of American business is not asking that many laws be repealed, or even modified. The astonishing interpretation by the Courts of certain laws, and particularly the unreasonable and harsh administration of others, has produced such uncertainness and unpredictableness in business, that management recognizes it cannot provide the jobs and the products at the prices necessary to preserve our economy and the system of Free Enterprise, unless there are some constructive changes.

Business alone must provide the payrolls and the products that will make a system of Free Enterprise work, and to provide these management must be able to compute costs with reasonable accuracy, and sell at a profit. Several years ago, management to preserve this right to operate business and know what payrolls could be provided, initiated a campaign to preserve the Free Enterprise system. This was an attempt to educate the mass of people on how the system worked, how it had developed this country, and why it was the best in the world, so as to prevent any more untried economic theories becoming the law of the land. That campaign was by large effective in making most of the people understand what was meant by Free Enterprise, and making the economists, the labor leaders, and the ordinary laborer, as well as our lawmakers, reaffirm their belief in the system and express their determination to preserve it. That campaign made it extremely unpopular to admit a belief in a different system of economy for this country.

Today there are no open advocates to destroy the American system of Free Enterprise; but the advancement of new economic theories, the spread of gossip and the support of laws which would destroy the system continues uninterrupted with each of the advocates proclaiming such laws are necessary to preserve the system and make it work under the new and changed conditions. Such advocates enjoy calling themselves "Liberals," and all who oppose them, "Reactionaries." Strangely, each of these new theories and proposed laws find some support among management who really think they are staunch and unfaltering believers in the system of Free Enterprise. This confusion within management arises from the new approach to change the system by segments, rather than in one operation.

For instance, during the seriousness of the last coal strike which caused the steel plants to close down, resulting in making drill pipe and casing impossible to obtain and oil well contractors could not accept contracts for work, I heard two such contractors suggest — the government should take over and nationalize the coal mining industry. These men were willing to have the other man's business taken over by the government to eliminate a hardship, but I am sure they would not want the contracting business nationalized.

When last year it appeared the railroads would cease operating because of a strike and every business was in jeopardy for lack of shipping, I heard some successful business men say—It looks like the government will soon have to own the railroads to keep our economy going. The same men would certainly not want the government to take over their business.

When Secretary of the Interior Krug stated in a public address last summer—our oil reserves are fast depleting, our discoveries are not keeping up with production, and for national safety we should stop using our oil and import from foreign sources of supply, none of the millions who use oil products raised a voice in protest, although there are some 5-million persons sustained by jobs provided by oil production in this country. None of the oil companies that own oil production in foreign countries protested, and some advocated producing less oil here and being permitted to import more without paying taxes. Only those owners of oil producing properties located exclusively in the United States protested Mr. Krug's theory, and they are now, through a system of educational propaganda, endeavoring to preserve their stake in Free Enterprise.

Last summer when packing plants were closed by strikes and meat was impossible to obtain, I heard business men say — the packing plants should be taken over by the government, but they would denounce the government taking over their business.

For some years the principal lender of government money has been the RFC and some of its practices and unusual acts of favoritism are about to be investigated by the new Congress. To avoid this airing of dirty linen, the Administration is now supporting a bill to emasculate the lending power of the RFC and center this privilege in the Federal Reserve Bank. Even the Chairman of the Federal Reserve Board likes this plan and has identified his name with the new bill on which hearings are to start immediately. Will many people protest? So long as there is a lending agency available, why should they worry about the name of it. Well, the old propaganda is under way to gain support and dampen opposition. Now all the deposits in the Federal Reserve Bank belong to the member banks of this country and the U. S. Government. They are there to protect the banks of this country against closing when the depositors desire to withdraw their deposits faster than loans can be collected. If any considerable portion of the business of this country becomes indebted to the Federal Reserve Bank, and there should be a depression, those businesses would become owned by the Federal Reserve Bank just as the Administration in power directed. The system of Free Enterprise could be destroyed forever by that simple process.

In the city of Tulsa we have a newspaper which professes to be a staunch defender of the system of Free Enterprise, and at the same time aggressively advocates the city of Tulsa taking over the Public Service Company by right of eminent domain. I am confident this paper would strenuously oppose the government taking over the newspaper business.

From these examples, it is obvious the attack upon the system of American business is not open but by piece meal, and so hidden that even the most sincere believers in the fundamentals of the system are innocently permitting its destruction without recognizing the manner in which it is being done. By propaganda, business is being persuaded all this is an exception to the rule—to take care of some special situation; and Free Enterprise is going to be preserved.

Two weeks ago in Dallas, I heard the editor of a large Texas newspaper open his address before a convention of bankers, with the statement—"In the coming revolution, you bankers will be the first to be shot," and "I think we newspaper people will be next, not because you have not provided a necessary function and done it well, but because the mass of the people will need money and your banks will have a lot of it." I recall he proposed the immediate organization of the rubber pole club; and to start with bankers and newspaper men as charter members. He thought by changing all telephone poles to rubber, in a revolution, the bankers and newspapermen could keep their feet on the ground a little longer. In such an event, I wonder where management which could not provide jobs and pay wages to buy food for hungry stomachs, could hide. I suspect they should be charter members of the Rubber Pole Club.

A revolution arises when stomachs are empty because there are not enough jobs. The termination of all revolutions in modern times is a dictatoship.

There must not be a revolution; but the only way to prevent it is to provide jobs for all who are willing to work; and only statesmanlike management assisted by the engineering genius of this country can perform this miracle under world economic conditions today. Lawmakers cannot make jobs. Economists can only tell what caused something to happen that has already happened. Only the management of business and engineers working together can make continuing jobs, and they must not fail. They have the first responsibility to use every sound argument, every persuasive appeal, every factual presentation, and an unbiased demand to cause constructive legislation, conducive to the operation of business to be adopted. Will they do it, as tired, discouraged and ineffective as their efforts have been in the past?

I don't know. "But if all the things which we think should happen in our country fail within a few months after military victory, don't give up. We can and do make progress toward higher goals so long as we keep the goals clearly in mind."

Insurance Payments High in 1947

American families received $7,651,000 daily from their life insurance companies during 1946, compared with an average of $7,308,000 daily in 1945 and $6,798,000 daily in 1944, the Institute of Life Insurance reported on Feb. 27. Aggregate benefit payments during 1946 were $2,792,724,000; in 1945 they were $2,667,305,000 and in 1944 they were $2,481,257,000. The Institute's announcement issued Feb. 27, further said:

> Death benefit payments reached a new record total last year at $1,280,362,000, just over the 1945 total of $1,279,667,000. Had it not been for a carryover of war death claims, the 1946 total would have shown a decrease for the first time in several years. Last year's death benefits were 27% greater than in pre-war 1941, reflecting the greater amount of insurance owned.
>
> Payments to living policyholders totalled $1,512,362,000 in 1946, up $124,724,000 or 9% over the 1945 total of $1,387,638,000. Last year's total was about the same as in 1941. Matured endowment payments accounted for $398,340,000 of the 1946 payments, a slight decrease in the year but 53% over the 1941 figure. Disability payments were $91,774,000 in 1946 and dividends to policyholders were $501,600,000.
>
> Calls for policy cash surrender values during 1946 amounted to $316,727,000, about 31% greater than in 1945 and 38% over the low point reached in 1944. Last year's payments were 44% below the 1941 total.

Edgerton, Wykoff Adds

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — James W. Gerig has been added to the staff of Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

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 expired 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.

Air Express International Agency, Inc., New York (3/18)

July 22 filed 125,000 shares of 50-cent par common. **Underwriters**—Hayden, Stone & Co., agents. Will be added to general funds.

• Alaska Radio Inc., Washington, D. C.

March 6 (letter of notification) 4,000 shares of common. **Price**—$25 a share. No underwriting. For development of public radio communications network.

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. (3/26-28)

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. (3/19)

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.

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 Tobacco Co., New York

March 11 filed 896,404 shares ($25 par) B common stock. **Underwriter**—Morgan Stanley & Co., New York. **Offering**—Shares will be offered for subscription to common and B common stockholders at a price to be filed by amendment. Subscription basis will be one share of B common for each five shares held of record on April 2. Unsubscribed shares will be sold to underwriters. **Proceeds**—Net proceeds will be added to funds for the reduction of outstanding bank loans aggregating $85,000,000 as of Dec. 31, 1946. **Business**—Manufacture of cigarettes, cigars and tobaccos.

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.

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.

• Armstrong Co. (G. D.) Inc., Laytonsville, Md.

March 5 (letter of notification) 2,500 shares ($10 par) common. **Price**—$15 a share. No underwriting. For working capital.

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. (3/24-28)

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.

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.

• Bartlett Aircraft Corp., Reno, Nev.

March 7 (letter of notification) 25,000 shares of common. **Price**—$1 a share. No underwriting. To complete fabrication of Zephr airplane.

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

(Continued on page 1422)

Corporate and Public Financing

The FIRST BOSTON CORPORATION

Boston New York Pittsburgh
Chicago and other cities

— SPECIALISTS IN —
United States Government Securities
State and Municipal Bonds
C. J. DEVINE & CO.
INC.
48 WALL ST., NEW YORK 5, N. Y. HAnover 2-2727
Chicago • Boston • Philadelphia • Pittsburgh • Cleveland
Cincinnati • St. Louis • San Francisco

Underwriters and Distributors of Corporate and Municipal Securities

Kidder, Peabody & Co.
Founded 1865
Members of the New York and Boston Stock Exchanges
NEW YORK BOSTON PHILADELPHIA CHICAGO

Digitized for FRASER
http://fraser.stlouisfed.org/

NEW ISSUE CALENDAR

(Showing probable date of offering)

March 17, 1947

Drico Industrial Corp.	Common
Farquhar (A. B.) Co.	Debs., Common
Iowa-Illinois Gas & Electric Co.	Bonds
Sardik Food Products Corp.	Preferred

March 18, 1947

Air Express International Agency, Inc.	Common
Consolidated Edison Co. of N. Y., Inc. 11 a.m. (EST)	Bonds
Doman Fraser Helicopters Inc.	Common
Vertientes-Camaguey Sugar Co.	Common

March 19, 1947

American Potash & Chemical Corp.	Preferred

March 20, 1947

Book-of-the-Month Club Inc.	Capital Stock
Carney Fasteners, Inc.	Capital Stock
Joyce, Inc.	Common
Plymouth Rubber Co.	Common
Precast Building Sections Inc.	Pfd. & Com.

March 24, 1947

Automatic Firing Corp.	Pfd. & Com.
John & Ollier Engraving Co.	Common
Latin American Airways Inc.	Common

March 25, 1947

American Tel. & Tel. 11:30 a.m. (EST)	Debenture
Citizens Utilities	Bonds
Continental Car-na-var Corp.	Common
White's Auto Stores, Inc.	Debs. & Com

March 26, 1947

American Iron & Mach. Works Co.	Debs., Pfd. Com.
Western Pacific RR.	Conditional Sales Agreement

March 27, 1947

Richmond, Fredericksburg & Potomac	Notes

March 29, 1947

Maguire Industries, Inc.	Common

(Continued from page 1421)

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.

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.

● **Bond Investment Trust of America, Boston**

March 7 filed 60,000 units of beneficial interest. **Underwriter** — Whiting, Weeks & Stubbs. **Price** — Based on market price. **Proceeds** — For investment. **Business** — Investment business.

Book-of-the-Month Club, Inc., N. Y. (3/20)

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**—It is expected that a call for bids to be opened the third week of April will be issued shortly.

Carney Fasteners, Inc., Columbia, S. C. (3/20)

Jan. 13 (letter of notification) 32,950 shares ($5 par) capital stock. **Price** — $6.50 a share. **Underwriter** — Mitchell Securities Corp., New York. For equipment and working capital.

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.**

● **Citizens Utilities Co., Greenwich, Conn. (3/25)**

March 6 filed $4,500,000 of first mortgage and collateral trust bonds, 3½% series, due 1972. **Underwriter**—Lee Higginson Corp., New York. **Price** — By amendment. **Proceeds**—Company will use $4,200,000 of the proceeds to pay off bank loan notes and add the remainder to general funds. **Business**—Public utility.

● **Cleveland-Canada Steamship Co., Cleveland, O.**

March 6 (letter of notification) 1,740 shares ($100 par) 5% cumulative class A preferred and 875 shares (no par) class B common. **Price**—$200 per unit consisting of 2 class A preferred shares and 1 class B common share. No underwriting. For outfitting passenger steamers.

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 on March 19. The subscription period will commence March 28. Rights will expire May 27. **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.

● **Clinton Machine Co.**

Feb. 24 (letter of notification) 6,500 shares of common stock (par $1) on behalf of selling stockholders. **Underwriters**—F. H. Koller & Co. **Price**—$6 a share.

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. **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 am. 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.

● **Corning Glass Works, Corning, N. Y. (3/26-28)**

March 6 filed 50,000 shares ($100 par) 3½% cumulative preferred stock, series 1947. **Underwriting**—Harriman Ripley & Co. and Lazard Freres & Co., both of New York. **Price**—By amendment. **Proceeds**—For expansion program including erection of new plant at Muskogee, Okla., for about $1,800,000. **Business**—Glass works.

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**—$4.25 per share. **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.

Doman Frasier Helicopters, Inc., N. Y. (3/18-19)

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.

● **Drico Industrial Corp., New York (3/17)**

March 10 (letter of notification) 150,600 shares of common stock (par $1). Underwriter, Kobbe & Co., Inc., **Price**—$1.75 per share. Proceeds to finance manufacturing and sales program and paying for materials and labor in connection therewith.

Edelbrew Brewery, Inc., Brooklyn, N. Y.

Dec. 31 filed 5,000 shares ($100 par) 5% non-cumulative preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds** — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

Empire Millwork Corp., New York

Aug. 28 filed 50,000 shares of $1.25 cumulative convertible preferred stock, (par $25) and 150,000 shares of common stock (par $1). **Underwriters**—Van Alstyne, Noel & Co. **Proceeds**—Corporation will receive the proceeds from the issuance of 50,000 shares of the common stock which will be used to increase productive capacity, add new lines of products and expand the business. The remaining 100,000 shares of common stock and the preferred shares will be sold by present stockholders.

● **Emsco Derrick & Equipment Co., Los Angeles**

March 3 filed 10,000 shares ($100 par) 4% cumulative preferred, which are convertible into common stock. **Underwriting** — None. **Offering** — Company will offer 9,831 shares of the preferred for subscription to common stockholders at $100 a share in the ratio of one preferred share for each 38 shares of common held. Subscription period will expire April 30. The remaining 169 shares, and any unsubscribed shares, will be offered to persons yet to be determined. **Price**—$100 a share. **Proceeds**—Proceeds are to be applied to reduce an out-

anding bank loan and to finance capital improvements nd additions to its plants. **Business**—Manufacture of lwell drilling equipment.

Equipment Finance Corp., Chicago

eb. 28 filed 8,025 shares ($100 par) 4% cumulative prerred, series 2, and 25,070 shares ($10 par) common. **nderwriting** — None. **Offering**—Company anticipates at the entire offering will be sold to its employees nd officers. Price—Par. **Proceeds**—Estimated proceeds $1,045,000 will be applied to working capital. **Business** -Finance business.

Farquhar (A. B.) Co., York, Pa. (3/17)

eb. 13, 1947 (by amendment) $600,000 4¾% sinking nd debentures, due 1962 (with warrants) and warnts for 600 common shares (par $5) attached to deentures; also 56,800 common shares (par $5) to be ofred 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 comon shares to permit conversion of the preferred.) nderwriter—Stroud & Co., Inc., Philadelphia. **Price**— y amendment. **Proceeds**—Proceeds will be used to reeem 4½% sinking fund mortgage bonds, due Aug. 1, 957, to pay off certain contracts and chattel mortgages nd to reduce bank loans.

Federal Electric Products Co., Newark, N. J.

eb. 26, filed 150,000 shares ($1 par) common class A. nderwriter—E. F. Gillespie & Co., Inc., New York. rice—$7.25 a share. The registration states princial stockholder has granted the underwriters an option purchase 45,000 shares of class B ($1 par) common t $7.25 a share, exercisable for a period of three years. roceeds—Proceeds of approximately $870,000, together ith $755,000 of other bonds, will be used to repay the alance of $34,000 of a property mortgage, to pay off oans in the amount of $1,295,000 to Bankers Commeral Corp., New York, and for additional working capital.

Films Inc., New York

une 25, filed 100,000 shares ($5 par) class A stock and 00,000 shares (10 cent par) common stock, of which 00,000 shares reserved for conversion of class A. Each hare of class A stock is initially convertible into 2 hares of common stock. **Underwriters**—Herrick, Wadell & Co., Inc., New York. **Offering**—To be offered ublicly at $8.10 a unit consisting of one share of class A tock and one share of common stock. **Proceeds**—$201,- 00 for retirement of 2,010 shares ($100 par) preferred tock at $100 a share; remaining proceeds, together with ther funds, will be used for production of educational

Foreman Fabrics Corp., New York

uly 29 filed 110,000 shares ($1 par) common stock, all utstanding. **Underwriters**—Cohu & Torrey. **Price by** mendment. Issue may be withdrawn.

● **F-R Publishing Corp. and New Yorker Magazine Inc., N. Y.**

March 5 (letter of notification) 200 shares (no par) tock of F-R Publishing Corp. or 600 shares ($1 par) tock of New Yorker Magazine Inc. **Price**—$59 a share f F-R stock or $19.75 a share of New Yorker stock. To be sold by E. Melville Price, Chappaqua, N. Y., hrough Silberberg & Co., New York. **Proceeds**—Go to he selling stockholder.

Fresh Dry Foods, Inc., Columbia, S. C.

ug. 30 filed 450,000 shares (10¢ par) common. **Underriter**—Newkirk & Banks, Inc. **Offering**—Of the total ompany is selling 350,000 shares and two stockholders, oland E. Fulmer and Louis H. Newkirk, Jr., are selling he remaining 100,000 shares. **Price**—$6 a share. **Proceeds** —For purchase of sweet potatoes, plant expansion, addiional storage facilities, research and development work nd working capital. Offering date indefinite.

Glen Industries Inc., Milwaukee, Wis.

uly 31 filed 50,000 shares of $1.25 cumulative convertile preferred stock series A ($20 par) and 150,000 shares 10c par) common, all issued and outstanding and being old by eight selling stockholders. **Underwriters**—Van lstyne Noel & Co. Price by amendment. **Proceeds**— o 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.

● **Goldfield (Nev.) Deep Mines Co. of Nevada**

March 7 (letter of notification) 1,200,000 shares (5¢ par) common. **Price** — 12 cents a share. **Underwriters** — Boettcher & Co., Denver, and Morgan & Co., Los Angeles. For exploration and mine development.

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.

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.

● **Hemisphere Trading Co., Inc., New Orleans**

March 6 (letter of notification) 15,000 shares ($10 par) common. **Price**—$11 a share. **Underwriters**—R. S. Hecht & Co.; Howard, Labouisse, Friedrichs & Co.; D'Antoni & Co. and Kohlmeyer, Newburger & Co., New Orleans. Proceeds for working capital.

● **Highland Princess Mines Inc., Denver**

March 10 (letter of notification) 60,000 shares ($1 par) capital stock. **Price**—$1 a share. To be sold through Donald A. McCallum, President of company. To develop mining properties.

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.

● **Instruments Corp. of America, Landsdale, Pa.**

March 4 (letter of notification) 149,000 shares of capital stock (no par). Underwriting, none. **Price** — $1 per share. Pay current obligation of $53,000; deferred obligations of $55,000; working capital.

International Dress Co., Inc., New York

Aug. 28 filed 140,000 shares of common stock (par $1). **Underwriter**—Otis & Co. **Offering**—Price $10 per share. **Proceeds**—Selling stockholders will receive proceeds. Offering date indefinite.

International Roll Forming Co., Inc.

Feb. 7 (letter of notification) 10,000 shares of 4½% cumulative preferred (non-voting) stock (par $10) and 80,000 shares of common stock (no par). Gordon Saunders Co., New York (although not technically an underwriter) will assist in distribution of securities. **Price**—Preferred, $10; common, 5 cents. Each purchaser of one preferred share shall have right to purchase two common shares. Proceeds for purpose of purchasing materials, renting factory and office space, etc.

Iowa-Illinois Gas & Electric Co. (3/17)

Feb. 15 filed $22,000,000 of first mortgage bonds due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co. **Proceeds**—Part of the proceeds will be used to pay mortgage debt of $10,578,000 and balance will be added to general funds. **Bids**—Bids for the purchase of the bonds will be received up to March 17 at room 2200, 105 West Adams St., Chicago.

Jahn & Ollier Engraving Co. (3/24)

Feb. 26, filed 102,000 shares ($1 par) common. **Underwriter**—Sills, Minton & Co., Inc., Chicago. **Price**—By amendment. **Proceeds**—The shares, which constitute approximately 48.5% of company's outstanding common stock, are being sold to stockholders. **Business**—Preparing printing plates on copper and zinc by photomechanical and hand-engraving operations.

Joyce, Inc., Pasadena, Calif. (3/20)

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.

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.

● **Latin American Airways Inc., New York (3/24)**

March 7 (letter of notification) 21,250 shares ($1 par) common, on behalf of Henry E. Rohlsen, Bronx, N. Y. **Price**—$2.50 a share. No underwriting. Proceeds go to the selling stockholder.

● **Los Angeles Drug Co., Los Angeles**

March 6 (letter of notification) 2,000 shares ($100 par) common. **Price**—$150 a share. No underwriting. To retire short term bank loan and 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.

● **McAler Manufacturing Co., Rochester, Mich.**

March 7 (letter of notification) 3,000 shares ($1 par) common. **Price**—At market. Being sold by Carlton M. Higbee Jr., Board Chairman, through licensed dealers. Proceeds to selling stockholder.

● **Maguire Industries, Inc., New York (3/29)**

March 7 (letter of notification) 300,000 shares of common stock (par $1). Underwriting, none. **Price**—$1 per share. Stock will be offered for subscription to stockholders of record March 29 in ratio of 1 new share for each 3 shares held. Rights expire 3 p.m. (EST) April 21. Subscriptions payable at Registrar & Transfer Co., 2 Rector St., New York. Proceeds for working capital.

● **Malt-A-Plenty Inc., Tulsa, Okla.**

March 6 (letter of notification) $200,000 of stock. **Price** —$100 a unit. No underwriting. For expansion purposes.

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.

● **Michigan Consolidated Gas Co., Detroit**

March 7 filed $6,000,000 first mortgage bonds, due 1969. **Underwriting**—To be determined by competitive bidding. **Probable bidders**—Dillon, Reed & Co., Inc.; Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harris, Hall & Co. (Inc.). **Price**—To be be determined by competitive bidding. **Proceeds** — Net proceeds, together with funds to be received from the sale of additional common shares to Michigan's parent, American Light & Traction Co., will be used to finance its property construction and equipment program and to reimburse its treasury for previous construction expenditures. **Business**—Public Utility.

(Continued on page 1424)

Digitized for FRASER
http://fraser.stlouisfed.org/

(Continued from page 1423)

Michigan Gas & Elec. Co., Ashland, Wis.

June 24 filed $3,500,000 of series A first mortgage bonds, due 1976; 14,000 shares ($100 par) cumulative preferred stock and 120,000 shares ($10 par) common stock. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; Kidder, Peabody & Co.; The First Boston Corp.; Harris, Hall & Co. (Inc.); Merrill Lynch, Pierce, Fenner & Beane, and Ira Haupt & Co. **Offering**—New preferred will be offered on a share for share exchange basis to holders of its outstanding 7% prior lien, $6 no-par prior lien, 6% preferred and $6 (no par) preferred. Of the common stock being registered, company is selling 40,000 shares, Middle West is selling 57,226 shares and Halsey, Stuart & Co. Inc., New York, is selling 22,774 shares. **Proceeds**—Michigan will use net proceeds from bonds to redeem $3,500,000 3¾% series A first mortgage bonds, due 1972, at 106.75 and interest. Net proceeds from sale of common and from shares of new preferred not issued in exchange will be used to redeem $375,000 3½% serial debentures, due 1951, at 101.2 and interest. It also will redeem at 105 and accrued dividends all unexchanged shares of prior lien and preferred stocks.

● **Mon-O-Co Oil Corp., Harlowton, Mont.**

March 4 (letter of notification) 194,320 shares of (no par) class B stock. To be offered to stockholders and others under preemptive rights. **Price**—$1 a share. No underwriting. For expansion purposes.

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.

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.

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). Common and preferred exempted from competitive bidding. Names of underwriters will be supplied by amendment. **Proceeds**—Financing is part of recapitalization plan to retire outstanding indebtedness of $34,998,500.

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.

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.

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.

● **Oglethorpe Fund, Inc., Savannah, Ga.**

March 10 filed 200,000 shares of common. **Underwriter**—Southern Securities Corp. **Price**—Based on market. **Proceeds**—For investment. **Business**—Investment business.

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. In an amendment filed with SEC March 10, 1947, it is proposed to eliminate the competitive bidding for unexchanged preferred.

● **Packaging Service Corp., Washington, D. C.**

March 4 (letter of notification) 500 shares of common stock. **Price**—$100 a share. No underwriting. For organization and operating expenses.

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.

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.

Plymouth Rubber Co., Inc. (3/20/25)

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.

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.

● **Precast Building Sections, Inc. New York (3/20)**

March 11 (letter of notification) 270 shares of preferred stock (par $100) and 3,700 shares of common stock (no par). Underwriting, none. Price, preferred $100; common, $25. Proceeds for working capital and to provide and equip a factory building.

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.

● **Remco Food Products, Inc., New York**

March 4 (letter of notification) 150,000 shares of class A stock (par $1). **Price**—$2 per share. Underwriting, none. To be sold through officers and directors. For purchase of land, construction of building, purchase of machinery, working capital, etc.

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.

● **Richmond Radiator Co., Richmond, Va.**

March 6 filed $1,025,000 4% 5-year serial maturity debentures due April 1, 1948 to 1952. **Underwriting**—None. **Offering**—Debentures will be offered for subscription to common stockholders in the ratio of $1 of such debentures for each common share held. Reynolds Metals Co., which holds 61.3% of the company's outstanding common, has waived its right to purchase its pro rata share of debentures until the subscription period for other holders expires on April 15. Reynolds will have until April 21 to subscribe for the debentures after which they will be offered to the public. The debentures will be sold at face amounts of $25, $50, $100, $500 and $1,000. They are convertible into common stock up to June 30, 1947. **Proceeds**—Will be used to retire $1,025,000 of the company's notes held by Reynolds. **Business**—Manufacture of plumbing fixtures and heating equipment.

● **Sardik Food Products Corp., New York (3/15)**

March 7 (letter of notification) 30,000 shares of 50¢ cumulative preferred (no par). **Price** — $10 a share. **Underwriter**—George F. Breen, New York. For purchase of $190,000 labor-saving equipment and balance for working capital.

● **Seaboard & Western Airlines Inc., New York**

Feb. 24 (letter of notification) 50,000 shares of common stock. **Price** — $1. Underwriting, none. Proceeds for working capital.

● **Seaboard & Western Airlines, Inc., New York**

Feb. 28 (letter of notification) 50,000 shares of common stock. Underwriting, none. **Price** — $1. Proceeds for payrolls, materials supplies, etc.

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.

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.

● **Southwest Airways Co., Beverly Hills, Calif.**

March 3 (letter of notification) 9,000 shares of common. **Price** — $33 a share. No underwriting. For working capital.

● **Sta-Rite Ginnie Lou, Inc., Shelbyville, Ill.**

March 6 (letter of notification) $100,000 5-year debenture notes. To be offered to stockholders and officers at face value. No underwriting. For expansion purposes.

Street & Smith Publications, Inc.

July 17 filed 197,500 shares of common stock. **Underwriters**—Glore, Forgan & Co. **Offering**—The offering represents a part of the holdings of the present stockholders. Indefinitely postponed.

Swern & Co., Trenton, N. J.
Aug. 28 filed 195,000 shares common stock (par $1) Underwriter—C. K. Pistell & Co., Inc. **Offering**—Company is selling 45,000 shares, and eight selling stockholders are disposing of the remaining 150,000 shares **Price**—$10.50 a share. **Proceeds**—From 45,000 shares sold by company will be applied to working capital initially. Offering date indefinite.

Textron Inc., Providence, R. I.
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.

Toledo (O.) Edison Co.
Oct. 25 filed $32,000,000 first mortgage bonds, due 1976, and 160,000 shares of ($100 par) cumulative preferred **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Halsey Stuart & Co. Inc. (bonds only); Blyth & Co., Inc.; and Smith, Barney & Co. Price to be determined by competitive bidding. **Proceeds**—Net proceeds together with $4,-500,000 bank loan and if necessary, the $5,000,000 to be contributed by its parent, Cities Service Co., will be used to redeem outstanding debt and preferred stock, involving a payment of $53,906,590, exclusive of interest and dividends.

• **Tune Shop Music Publishers Inc., Philadelphia**
March 6 (letter of notification) 20,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. To purchase and equip a recording studio and to carry on corporate activities.

• **Upper Peninsula Power Co., Houghton, Mich.**
March 6 filed $3,500,000 first mortgage bonds, due 1977; 10,000 shares ($100 par) cumulative preferred and 180,-000 shares ($10 par) common. **Underwriting**—To be determined by competitive bidding. **Probable bidders** include Halsey, Stuart & Co. Inc. (bonds); Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly); Blyth & Co., Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Price**—To be determined by competitive bidding. **Proceeds**—Company was organized Feb. 26, 1947 to acquire the capital stocks and assets of three Michigan operating utilities—Houghton County Electric Light Co., Copper District Power Co. and Iron Range Light & Power Co. The proceeds will be used in connection with this acquisition program. **Business**—Public Utility.

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.

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 (3/18)
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.

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.

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.

West Coast Airlines, Inc., Seattle, Wash.
Sept. 2 filed 245,000 shares ($1 par) common. **Underwriter** — Auchincloss, Parker & Redpath, Washington, D. C. **Price**—$7 a share. **Proceeds**—To repay short term bank loans for aircraft communication equipment part and shop facilities and for working capital

• **Western Aero Supply Corp., San Antonio, Tex.**
March 3 (letter of notification) 7,000 shares ($5 par) 5% preferred and 35,000 shares (50c par) common. **Price**—$10.50 a unit. **Underwriter**—Pitman & Co., San Antonio. For retiring bank loans and for expansion purposes.

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. (3/25-28)
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.

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.

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)

• **Allied Products Corp.**
March 12 reported company is considering methods of obtaining new funds for erection of a new plant on a recently acquired 14-acre site and increasing its working capital to meet the needs of expanding business.

• **Bates Manufacturing Co.**
March 10 reported that The First Boston Corp. and Coffin & Burr, Inc., will publicly offer about April 1, 55,000 shares of stock of the company which they own. Registration with SEC expected at early date to be offered by a Boston investment firm.

• **Dallas Power & Light Co.**
March 5 the SEC approved charter amendments proposed by the company. Among the changes to be made will be an increase of the authorized (no-par) common from 273,000 shares to 2,500,000 (no-par) shares.

UNITED STATES GOVERNMENT,
STATE, MUNICIPAL AND
CORPORATE SECURITIES

BLAIR & CO.
INC.
NEW YORK

BOSTON • BUFFALO • CHICAGO • CLEVELAND
PHILADELPHIA • PITTSBURGH • ST. LOUIS • SAN FRANCISCO

• **Houston Lighting & Power Co.**
March 6 company will seek $9,700,000 for expansion by increasing the authorized common stock from 600,000 to 2,000,000 shares, S. R. Bertron, the President, reported. The financing plan will be submitted to stockholders at the annual meeting on April 16.

The outstanding 517,999 shares of common stock would be converted into 1,035,998 by issuance of an additional share for each one held. Owners would get rights to subscribe for one additional share for each four shares held. "If there has been no material change in conditions at that time," Mr. Bertron said, "the price for the new stock will be $37.50 per share." If the stock is not taken by stockholders the directors may sell unsubscribed shares as they may deem advisable.

• **Minnesota Power & Light Co.**
March 5 company, filed an application with the SEC for permission to change its outstanding shares ($10 par) common into an equal number of common shares (no par). The change is necessary, the company said, to facilitate a plan of its parent, American Power & Light Co., to retire its preferred by offering common of certain of its subsidiaries, including Minnesota.

• **Missouri Power & Light Co.**
March 11 reported two investment banking groups are preparing to enter competition for a possible offering by North American Light & Power Co. of the common stock of Missouri. One group is led by Glore, Forgan & Co., the other jointly by White, Weld & Co. and Shields & Co.

• **Northern Natural Gas Co.**
March 1 company applied to FPC for authority to construct $24,500,000 additional facilities. Funds for work would be raised through new debentures and common stock issues.

• **Pacific Gas & Electric Co.**
April 8 stockholders will vote (1) on increasing authorized common stock from 8,000,000 to 10,000,000 shares and on making stock non-assessable; (2) on reclassifying 1,000,000 shares of authorized but unissued 6% first preferred as a new series of 4% first preferred stock. The additional common and 4% preferred shares are to be sold as needed to finance a part of $300,000,000 construction program.

• **Pitney-Bowes Inc., Stamford, Conn.**
March 31 stockholders will vote on authorizing 75,000 shares of cumulative preferred stock (par $50) and 500,-000 additional common shares. If approved it is proposed that 46,000 preferred shares will be offered for subscription to common stockholders. It is expected offering will be underwritten. Names not presently available.

• **Public Service Co. of Indiana, Inc.**
March 4 company filed petition with PS Commission of Indiana for authority to issue $11,077,800 15-year, 2¾% convertible debentures. The proceeds from the sale, together with other funds, are to be used to retire the $11,500,000 of bank loan notes which mature serially to 1955. An application will be filed with the SEC. The new debentures would be offered at par to the common stock shareholders on basis of $10 of debentures for each share of common stock.

• **Richm'd Fredericksburg & Potomac RR. (3/27)**
Company will receive bids up to 12 noon (EST) March 27 at its office, Broad Street Station, Philadelphia for the purchase of $1,995,000 negotiable notes to be dated April 15, 1947.

(Continued on page 1426)

Digitized for FRASER
http://fraser.stlouisfed.org/
Federal Reserve Bank of St. Louis

(Continued from page 1425)

• Southern California Edison Co.

March 11 company filed with the California Railroad Commission an application to issue two new classes of preferred stock with an aggregate par value of $82,671,450. The stock is to be issued on an exchange basis for retirement of all outstanding 6 and 5½% preferred shares. Stockho ders are to vote on the refunding program at special meetings in Los Angeles May 6. If approval is granted, the company will issue 1,653,429 shares ($25 par) preference stock and cumulative preferred stock. Under the plan; holders of 6 and 5½% preferreds would exchange on the basis of one-half share of each class of new stock for one share of either outstanding series. The new preference stock is to be made convertible into common. The outstanding preferreds that are not exchanged are to be called at $28.75 a share, and unexchanged portions of the new issues are to be sold for cash to raise the funds for such redemptions Details of the financing and formation of a suitable underwriting group are being discussed with The First Boston Corp. The company has asked for exemption from the Commission's competitive bidding rule.

• Western Natural Gas Co.

El Paso Natural Gas Company stockholders will vote March 25 on merging Western Gas Co. and Gulf States Oil Co. into Western Natural Gas Co. The new company wi l sell privately to insurance companies $2,500,000 15-year 3¼% 1st mortgage bonds and $1,500,000 10-year 4½% convertible debentures.

• Western Pacific RR. (3/26)

Company will receive bids up to 12 noon PST March 26 at its office 526 Mission St., San Francisco, for the sale of $3,834,000 conditional sale agreement certificates.

The Federal Budget—The Turning Point

(Continued from page 1385)

vorable activ.ty of industry and trade. Continuance of certain excise taxes, ot..erw.se expiring, and some offset to the postal deficit will increase the estimated surplus to $2,000,000,000.

The President maintains that the responsibilities of the Federal Government cannot be fully met in the fiscal year 1948 at a lower cost. He stands sternly against any tax reduc ion, maintaining that at the present time high taxes contribute to the welfare and strength of the country.

The President thus presents the country as in the unhappy position of being scarcely able to meet expenses in spite of a tax structure at practically war-time height, except for the elimination of the excess profi.s tax, and the prevalence of boom conditions in industry and employment. With the budget balanced at such a high level the Treasury would be in a most vulnerable position. This is indicated by consideration of the striking effect on Federal revenues of any material variation in national production. The variation cannot always be upward as of late.

It has been wisely said:

"We have a budget that is out of hand. Unless Congress, with the backing of the public, can reestablish control over expenditures and get us on the sound road of paying off debts and lightening the tax load now bearing down on the incentive for work and production, we are heading for serious trouble."

Congress, now not in control of the President's party, has taken up the challenge of the President's budget. Under the new Congressional Reorganization Act, it is the duty of Congress by February 15 to state a limit to which appropriations for the next year are to be held. This is the first year of the operation of the requirement for the establishment of a broad framework for relating Federal expenditures to estimated Federal revenues.

Proposed Congressional Reductions

In fixing a limit for expenditures as now required, the House set a total of $31,500,000,000, a reduction from the President's figure of $6,000,000,000. The limit so set was not fixed out of hand but only after all study by the House Appropriations Committee permitted by the short time allowed. The Senate so far would limit the reduction to the lesser amount of $4,500,000,000. The real answer will be made only when before July 1 all appropriations are finally passed, after further study and debate.

A thoughtful woman Republican has written of the proposed limitation as "the ruthless paring of the President's budget far below even the agreedly inadequate figures at which it started."

Yet expenditure in a single peace-time year of more than was spent altoge her in World War I can hardly be regarded as inadequate. Swollen expenditures tend to be progressive, and can be dealt with only by resolution which those inclined towards government spending may call ruthless.

Whether the Federal budget can be brought in o bounds of course depends on whether reduction of expenditures can actually be accomplished without sacrifice of essential government functions. It is clear that members of Congress of great experience believe that expenses can be so lessened. Highly competent independent authorities agree. Intelligent opinion on such a complex matter is beyond the average voter, but he can zealously back up the Congress in the resolute quest.

That the task of reduction is difficult, none will deny: so was winning the war. Five great items, resulting largely from the war, make up about four-fifths of the total projected expenditure.

Debt and Defense Items

Nothing can be done about the great items of $5,000,000,000 for the service of the debt, and $2,000,000,000 for estimated refunds of taxes found to have been overpaid.

The principal item of course is national defense, standing at the to'al of $11,256,000,000 for Army and Navy. No one will be willing to see any weakening of national defense by withholding the necessary money supply. Yet a sound budget, upon which productive economic life depends, is itself a part of national defense. To see that we have such a budget is the constitutional duty of Congress.

Under our plan of government, it is for Congress to make sure that all preventable waste is eliminated and all practical economies fully explored; to make sure that plans for the future do not involve facilities and equipment likely to become obsolete.

There will be no begrudging of the $530,000,000 for research, or of the $443,000,000, included under Natural Resources, for the atomic development.

Veterans' benefits and services appear for a total of $7,340,000,000. These have been rightly provided with the greatest gratitude, and are a sacred charge. Yet none who considers the figures will deny that most careful administration is necessary.

In the past year of widespread employee shortage, payments to veterans for unemployment compensation approached $1,100,000,000, and $200,000,000 for self employment allowances. In justice to the veterans themselves, stock must be taken of the whole situation.

International Finance Items

International finance, down for a total of $3,500,000,000, is again a most difficult subject. The projected total includes further drafts of $1,200,000,000 under the British credit, $730,000,000 of already authorized funds for the Export Import Bank, $645,000,000 for relief in areas occupied by United States troops, $305,000,000 for winding up UNRRA and $326,000,000 for additional relief in a few countries in desperate need.

It is to be hoped that with the establishment of international financial institutions, the period of large relief grants and reconstruction loans of government funds may be drawing to a close. It may be beyond our power to make all advances that are suggested. However, the possibility of large demands in this field is one of the strongest reasons for reduction in the budget in other fields wherever possible.

It is in expenditure for general government activities and programs that substantial and wholesome reduction appears most practicable. True, this load appears at but $8,300,000,000. Yet th.s total is equal to the average government expenditure for all purposes in the six years of liberal spending pr.or to the war. If we look back to 1939, we see that the total is where it is now placed only because of the drop in work relief and direct relief expenditures, from over $3,000,000,000 in 1939 to practically nothing.

Budget expenses for major programs in this field show increases over 1939 ranging from 100% to more than 900%.

From August, 1945 to November 26, 1946, while the Army and Navy and emergency war agencies were vigorously reducing personnel, old line establishments increased personnel by about 300,000. The cost of general government shows a projected increase from $989,000,000 in 1946 to $1,427,000,000 in 1948.

Chairman John Taber, the experienced and industrious chairman of the Appropriations Committee of the House, has presented as an example interesting figures about the Department of Commerce. He has pointed out that while there were only 13,000 employees in that department in 1939, the present estimate calls for 36,500, "without any corresponding increase in duties." He states that the budget of that Department contains provisions "for 15 management analysists, 23 information specialists, personnel officers galore, under one label or another, 23 librarians, numerous racial relations assistants and placement officers."

Mr. Taber also adds that in the Census Bureau there are provisions for 38 administrative officers, 84 economic analysts, 35 economists, and several and sundry world economic analysts.

Reduction of Non-essential Agencies

No one can doubt the urgent need for a thorough combing out of agencies no longer essential and for stream-lining those that are necessary. The President's figures are made up on the basis that all are necessary.

Every dollar justly saved from public expenditure will make its effective contribution to the general welfare.

Gradual reduction of the public debt is the best possible evidence of financial health of the Government, and such reduction must be begun. It is questionable, however, whether a definite figure for such reduction should be set forth before the excess of revenue which w.ll be available is determined.

Reduction in taxation is the acid test of control of expenditure. Excess revenues earmarked for future debt reduction may easily be diverted to expenditure bu taxes actually given up cannot be.

Tax Reductions

The President maintains that high taxes in themselves contribute to the welfare and security of the country. Yet the general view of economists is that high taxes are in themselves a burden on industry and trade and that in normal times these flourish better under moderate taxes.

Relief from excessive tax burdens spurs production. Full produc ion places the best foundation under the tax and debt structure.

The tax which most calls for some reduction is the individual income tax. Corporations are still subject to a high rate of income tax, in general 38%, but by the Act of 1945 they were relieved from the very severe excess profits tax, while the relief for individuals under that act was very small.

Income taxes have of course become the main reliance of the Federal Government. For stability as well as the amount of the revenue, the Government needs and must retain the support of excise taxes, yet the income tax, corporate and individual, will remain much the major source. A permanently reliable income tax must be a bearable tax, consistent with full energy and production.

Individual income tax rates now reach 20% in the first taxable bracket (including the 3% normal and the 17% bracket rate) less the 5% reduction, or 19% net. They are so steeply graded that in the 18-20,000 bracket they reach 50%, so that of the next dollar more than one-half goes to the Government; at $44,000, 68%, so that of the next dollar more than two-thirds goes to the Government; at $70,000 they reach 77%, so that of the next dollar more than three-fourths goes to the Government; then advancing up to 85%. At these rates, complete confiscation of all income above the $50,000 level would add only $430,000,000 net to the revenue and that of course but for a brief period.

An often suggested thought of the way to make income tax reduction is to increase personal exemptions and credits, or decrease the rate of the first tax bracket. Reductions so effected have drastic results on the tax and fail in important purposes of tax relief.

Taking 1946 tax rates on income, it is estimated that even so small an increase in the personal exemption and dependency credits as $100, would reduce the revenue by about $1,600,000,000.

Again, taking the 1946 rates and income, reduction of the basic rate by one percentage point would decrease the yield of the tax by $660,000,000. That again is because that bracket includes all taxpayers.

Revision of Surtax Rates

A thoroughgoing revision of surtax rates at the present time may be impracticable. The wisest course is therefore again to make a percentage reduction all along the line. Such reduction would not have to be drastic in its effect on the tax yield and would still leave income tax rates steeply progressive. It is a mistake to suppose that reduction benefits only the taxpayer. Reductions would put increased drive into industry. If history repeats itself, reduction is likely to be reflected in increased tax yields as well as in increased jobs.

Federal finances will not be truly in hand until expenditures are so controlled that the course of both debt reduction and tax reduction can be begun. Nothing else will give such stimulus to industry and trade and employment. In the accomplishment of that essential purpose, Congress should have fullest support. As pertinent as ever remain those words of Washington in the Farewell Address—"As a very important source of strength and security, cherish the public credit."

Truman Visit to Mexico Hailed A Success

President Truman returned to the White House on Mar. 6 from his three-day official visit to Mexico, the first ever made by a President tof the United Statees, advices from the Associated Press stated. The visit was the occasion of several conferences between Mr. Truman and Mexico's President, Miguel Aleman, and these meetings were later described as having been a complete success from the viewpoints of both nations, according to a special dispatch from Mexico City to the New York "Times." As one Mexican newspaper, "El Popular" put it, "Truman Renews Our Faith in the Good Neighbor Policy." From the moment that President Truman stepped from his plane the morning March 3, at the Mexico City airport, until in the early morning hours of Mar. 6 he reboarded his plane to depart, every effort was made to assure the American President of the warm regard of the Mexican people, and he in turn made evident the United States' feeling of good-will toward her southern neighbor. Upon arrival Mr. Truman was greeted by a 21-gun salute, with troops drawn to attention; Mexico's President, Miguel Aleman and a number of other Mexican dignitaries, as well as the United States Ambassador Walther Thurston, met him at the airport.

That evening a state dinner and reception were held in Mr. Truman's honor at the National Palace. It was the occasion for an address by the American President in which, according to Associated Press advices from Mexico City on March 4, he declared that to him non-intervention meant that a strong nation does not have the right by reason of its strength to impose its will on a weaker nation. "The whole-hearted acceptance of this doctrine by all of us is the keystone of the inter-American system," he continued.

Mr. Truman won the appreciation of all Mexico when on Mar. 4, according to a dispatch to the New York "Times," he paid a surprise visit to the memorial honoring the boy heroes of Chapultepec who had defended the Mexican capital against United States troops a hundred years ago, and placed a wreath at the national shrine. For some time afterward he was hailed by the press and elsewhere as the most popular man in Mexico City. President Truman visited other Mexico's spots of unusual interest during his brief stay, and on Mar. 5, standing amid the ruins of the powerful and warlike Toltec civilization of ancient Mexico, voiced the warning, according to United Press advices, "Unless we have world peace we will be like these deserted ruins here—a deserted desert." Adding that both he and President Aleman were working hard for world peace, Mr. Truman continued: "We do not want to be a passing civilization, neither the great Mexican government, nor the United States."

Our Reporter's Report

Underwriting bankers are not finding time heavy on their hands these days what with the distribution to the public of utility operating company equities heretofore held by holding companies, and participating to some extent in the marketing of soldier bonus bonds.

With plenty of business looming ahead they have the additional chore of setting up new groups to bid for this or that issue as it appears on the calendar.

Next Tuesday, for example, Consolidated Edison Company of New York launches its extensive refinancing program which will involve close to $300,000,000 in new securities.

Bids will be opened at that time on the first offering under the plan, $100,000,000 of first refunding mortgage bonds series A, due in 1982. Two groups are now in the running for this business, both of nationwide proportions.

And the Street calculates that the bidding will be close since the competing groups will be headed by firms which long have been recognized as friendly opponents. Until recently First Boston Corp. was scheduled to share management of one group with Halsey, Stuart & Co., Inc.

But due to misunderstanding over the details of management, that big firm has withdrawn and has returned to the Morgan Stanley & Co. group with which it was orginally affiliated. This is the biggest corporate deal in weeks and, naturally in view of current market conditions, will be closely watched.

Divestment Moves Along

The program of utility integration outlined under the Public Utility Holding Company Act is really starting to move along. One has but to note the increasing speed with which holding companies are disposing of certain earmarked holdings to be aware of that.

Two such operations were completed this week, and many more are immediately ahead. The current divestment actions involve Standard Gas & Electric Co., and a group of the old Insull holding units.

The former disposed of 140,614 shares of common stock of Mountain States Power Co., while the latter sold 383,434 shares of common of Northern Indiana Public Service Co.

Reoffered publicly yesterday it was indicated that investor interest in both issues was lively and suggestive of early placement.

Another Due Soon

Standard Gas & Electric is not wasting any time in carrying through on its divestment plans. Reports are current at the moment that it will register with the Securities and Exchange Commission shortly a declaration of intention to seek bids on its portfolio holdings of 312,000, shares of California-Oregon Power Co. common stock.

The company has indicated it will use the proceeds from the sale of the stock to redeem $13,350,410 in notes maturing on April 10 next and to negotiate a reduction in $25,500,000 of bank notes due two years from that date.

A call for bids on the stock, to be opened during the third week of April, is expected to be made soon.

In the Offing

The company's bankers are making preparations necessary to underwrite the projected offering to its shareholders by American Tobacco Co., of 896,404 shares of additional class "B" stock.

Common shareholders will have the right to subscribe for the new shares in the ratio of one new share for each five held commencing April 2 next and continuing through April 21.

Proceeds will be added to working capital, and used as needed in the business and for the liquidation of outstanding bank loans.

Amer. Telephone & Telegraph

Just about a fortnight hence the investment banking word will take down another allotment of American Telephone & Telegraph Co. debentures for public distribution.

The last such undertaking was done on a "rights basis," but this time the $200,000,000 of 35-year obligations will be sold in competitive bidding. Two groups are in the field.

This will mark another step in the huge company's program for financing its war-delayed plans for expansion and improvement.

With Morgan & Co.

LOS ANGELES, CALIF.—Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange, have added Ben H. Ohler to their staff.

Postoffice Dept. Would Increase Rates

The Postoffice Department on March 4 proposed to Congress that higher postal rates, except for first class mail, be established in order to reduce an anticipated deficit of $287,697,250 for the fiscal year ending June 30, 1948, Associated Press Washington advices stated. Under the recommended adjustments about $33,200,000 in additional revenue would be received from publishers of newspapers, magazines and other printed material classified and mailed as second class matter.

The schedule seeks to double the postal-card rate of 1 cent to bring in an estimated additional $20,000,000, and raise fees for second, third and fourth class mail to provide a $115,700,000 increase. From the Associated Press we quote:

An increase in parcel post, which is rated by zones, to a scale ranging from 12 to 20 cents for the first pound as compared with the present rate of 8 to 16 cents for the first pound. An increase in the special handling charge for fourth-class matter from the present scale of 10 to 20 cents to a scale of 15 to 25 cents. An increase in the special delivery service from the present scale of 13 to 35 cents to a scale of 20 to 45 cents.

A general revision of money order fees now ranging from 6 cents to 22 cents to a scale of 20 cents to 35 cents.

An increase in the postal notes fee from 5 cents to 8 cents.

An increase in registered mail fees to a scale of 25 cents to $1.50 as compared with the present scale of 20 cents to $1.35.

An increase in fees for insured mail from the present minimum of 3 cents to a minimum of 5 cents. These adjustments would be carried forward to a maximum of 30 cents as compared with the present maximum of 25 cents.

An increase in the fees for cash on delivery (c. o. d.) mail from the present scale of 15 cents to 60 cents to a scale of 20 cents to 68 cents.

All revisions in present rates are estimated to bring the total in new revenue to $175,735. The remainder of the deficit, or about $114,000,000, would be met, under the department's proposal which has been placed before the Senate Civil Service Committee, largely by eliminating certain free services such as the Congressional franking privilege, and other differential rates.

Situation Wanted—Female

Assistant Trader

Expert teletype and telemeter operator. Two years spark plug of very active trading department of over-the-counter firm. Fifteen years Wall Street experience. Salary open. Box No. K 35, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

SITUATION WANTED

Trader Available

Seventeen years experience in Wall Street including several years as order clerk. Salary and/or commission. Box ZT 313, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

SITUATION WANTED

Municipal Man AVAILABLE

Twenty-two years with municipal department of large financial institution in Wall Street district and fourteen years with municipal department of financial publication. Now retired, but desires to continue in municipal field. Would consider representing out-of-town municipal firm. Salary secondary. Box R 36, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

Underwriting, Investment Banking or Brokerage Firm Please Note—

College Graduate, 9 Years' Experience, Desires Connection . . .

- ACCOUNTANT
- SYSTEMS and METHODS
- SALES
- AUDITING

Ex-Burroughs Salesman — Know Systems and Methods

Interview at your convenience with complete record of past experiences. Please address Box H 26, Commercial & Financial Chronicle, 25 Park Place, New York 8, N. Y.

CORRESPONDENT

Seeks responsible position. Able to produce new business and develop old contacts. Familiar with investment securities and their markets both listed and over the counter. For interview write Box L 30, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y.

DIVIDEND NOTICES

OFFICE OF LOUISVILLE GAS AND ELECTRIC COMPANY

The Board of Directors of Louisville Gas and Electric Company (Delaware) at a meeting held on March 7, 1947, declared a quarterly dividend of thirty-seven and one-half cents (37½c) per share on the Class A Common Stock of the Company for the quarter ending February 28, 1947, payable by check March 25, 1947, to stockholders of record as of the close of business March 17, 1947.

At the same meeting a dividend of twenty-five cents (25c) per share was declared on the Class B Common Stock of the Company, for the quarter ending February 28, 1947, payable by check March 25, 1947, to stockholders of record as of the close of business March 17, 1947.

G. W. KNOUREK, Treasurer.

International
MINERALS & CHEMICAL CORPORATION

General Offices
20 North Wacker Drive, Chicago

★

Dividends were declared by the Board of Directors on February 27, 1947, as follows:

4% Cumulative Preferred Stock
20th Consecutive
Regular Quarterly Dividend of One Dollar ($1.00) per share.

$5.00 Par Value Common Stock
Regular Quarterly Dividend of Forty Cents (40c) per share.

Both dividends are payable March 28, 1947 to stockholders of record at the close of business March 14, 1947. Checks will be mailed.

Robert P. Resch
Vice President and Treasurer

★

Mining and Manufacturing
Phosphate • Potash • Fertilizer • Chemicals

DIVIDEND NOTICES

THE YALE & TOWNE MFG. CO.

On March 7, 1947, a dividend No. 231 of fifteen cents (15c) per share was declared by the Board of Directors out of past earnings, payable April 1, 1947, to stockholders of record at the close of business March 17, 1947.

F. DUNNING, Secretary.

St. Louis, Rocky Mountain & Pacific Co.
Raton, New Mexico, March 8, 1947.

PREFERRED STOCK DIVIDEND NO. 103

The above Company has declared a dividend of $5.00 per share on the Preferred Stock of the Company to stockholders of record at the close of business March 15, 1947, payable March 31, 1947. Transfer books will not be closed.

COMMON STOCK DIVIDEND NO. 92

The above Company has declared a dividend of 50 cents per share on the Common Stock of the Company to stockholders of record at the close of business March 15, 1947, payable March 31, 1947. Transfer books will not be closed.

P. L. BONNYMAN, Treasurer.

CONSOLIDATED NATURAL GAS COMPANY
30 Rockefeller Plaza
New York 20, N. Y.

DIVIDEND No. 7

THE BOARD OF DIRECTORS has this day declared a regular semi-annual cash dividend of One Dollar ($1.00) per share on the capital stock of the Company, payable on May 15, 1947, to stockholders of record at the close of business April 15, 1947.

E. E. DUVALL, Secretary
March 12, 1947

REYNOLDS METALS COMPANY
Reynolds Metals Building
Richmond 19, Virginia

PREFERRED DIVIDEND

The regular dividend of one dollar thirty-seven and one-half cents ($1.375) a share on the outstanding 5½% cumulative convertible preferred stock has been declared for the quarter ending March 31, 1947, payable April 1, 1947, to holders of record at the close of business March 20, 1947.

The transfer books will not be closed. Checks will be mailed by Bank of the Manhattan Company.

ALLYN DILLARD, Secretary
Dated, March 6, 1947

DIVIDEND NOTICES

New York & Honduras Rosario Mining Company
120 Broadway, New York 5, N. Y.
March 12, 1947.

DIVIDEND NO. 378

The Board of Directors of this Company, at a meeting held this day, declared an interim dividend for the first quarter of 1947, of Fifty Cents ($.50) a share on the outstanding capital stock of this Company, payable on March 29, 1947, to stockholders of record at the close of business on March 19, 1947.

W. C. LANGLEY, Treasurer.

WICHITA RIVER OIL CORPORATION

Dividend No. 4

A dividend of Twenty-five cents (25¢) per share will be paid April 15, 1947 on the Common Stock of the Corporation, to stockholders of record at the close of business March 31, 1947.

JOSEPH L. MARTIN, *Treasurer*
March 7, 1947.

THE ELECTRIC STORAGE BATTERY COMPANY

186th Consecutive Quarterly Dividend

The Directors have declared from the Accumulated Surplus of the Company a dividend of seventy-five cents ($.75) per share on the Common Stock, payable March 31, 1947, to stockholders of record at the close of business on March 17, 1947. Checks will be mailed.

H. C. ALLAN,
Secretary and Treasurer
Philadelphia 32, March 7, 1947

WARD BAKING COMPANY
★ DIVIDENDS ★

The Board of Directors has declared the quarterly dividend of $1.37½ a share on Preferred Stock and a dividend of 15 cents a share on the Common Stock both payable April 1, 1947 to holders of record March 18, 1947.

L. T. MELLY,
Treasurer
475 Fifth Avenue
New York 17, N. Y.

Digitized for FRASER
http://fraser.stlouisfed.org/

N. Y. Lawyers Wondering What Effect Recent Court Ruling May Have on Stock Transfer Tax

By EDMOUR GERMAIN

Legal opinion is far from clear yet on all possible ramifications of the Supreme Court decision in the case of Hewit vs. Freeman. Office of the State Tax Commission, however, known to be in something of a quandary over what the decision might mean in terms not only of stock transfer taxes but also income and franchise taxes.

Ever since the U. S. Supreme Court in December reversed the ruling of a lower court, in the case of Hewit v. Freeman, that the Indiana gross income tax applied to the proceeds of sales of securities of an Indiana resident, lawyers familiar with the tax problems of some of New York's largest banking and brokerage institutions have wondered just what effect this ruling could conceivably have on stock transfer taxes and possibly even other forms of taxation, such as income and franchise taxes, in transactions involving the citizens of other states.

Legal opinion is not clear yet on all the possible ramifications of the Supreme Court decision. In giving its decision, the high court emphasized the point that a state is precluded "from taking any action which may fairly be deemed to have the effect of impeding the free flow of trade between states." It was believed by some therefore that narrower limits than are now being imposed might apply to the extent to which New York State or any other state can tax the citizens of any other state having occasion to do any business within its borders.

The office of the State Tax Commission is itself known to be in something of a quandary over how the decision might affect the application of New York State's tax laws although a chief interest in the matter there is probably to discover the places, if any, in the statutes which might need to be revised to repair any damage the Federal ruling might have caused. The thought has been expressed that if the Supreme Court decision in the Indiana case might possibly be interpreted as restricting the application of the stock transfer taxes, it could also conceivably have a bearing on income and franchise taxes. In any event, if it may be thought the lawyers generally are extremely cautious in what they may claim to be the meaning of the Supreme Court decision, it can be said, too, that, for the state tax men, much is confusion in the matter.

In the Indiana case, as one lawyer explained, the Supreme Court was faced with the following issue: A resident of Indiana through the New York Stock Exchange by a local broker who is connected with a New York brokerage house. The question then was raised were the proceeds of these transactions taxable under the Indiana statute which imposes a tax upon "the receipt of the entire gross income" of residents and domiciliaries of Indiana but excepts from its scope "such gross income as is derived from business conducted in commerce between this state and other states of the United States . . . . to the extent to which the State of Indiana is prohibited from taxing had made sales of corporate stocks and bonds which were effected in the usual and customary way such gross income by the Constitution of the United States."

Reversing the lower court, Justice Frankfurter, rendering the opinion, held that the power of the states to tax is limited by the Commerce Clause and that the exaction by the State of Indiana is an interference by that state with the freedom of interstate commerce and therefore prohibited by the Federal Constitution.

Abbink, Butler, and Morgan to Address Conference Board

"America's Foreign Lending Policy" will be the subject of addresses by John Abbink, Chairman of the National Foreign Trade Council; Senator Hugh A. Butler (R. Neb.); and Shephart Morgan, Vice-President of the Chase National Bank of the City of New York, to be delivered before the General Session of the 285th Meeting of the National Industrial Conference Board. The meeting will be held Thursday evening, March 20, at the Waldorf-Astoria Hotel in New York. Col. J. F. Drake, President of the Gulf Oil Corp., and Chairman of The Conference Board, will preside.

Strikes Against the Exchanges Possible

(Continued from page 1380)

Street eventually, the union will also probably feel it should poll its entire membership on the subject of a strike. Meanwhile, negotiations appear to have reached something of a stalemate again, with neither side giving in an inch, and the whole issue stands suspended in mid-air, as it were.

The Financial Employees Guild, CIO, won a two-day strike against the National Safety Bank and Trust Co. this last week. Terms of the agreement, as drawn up in a stipulation signed by officers of the union and a representative of the bank, include reinstatement without discrimination and with full pay for time loss during the strike, a pay rise of $4 a week for all employees except officers and supervisors of the bank, time-and-a-half for overtime on a daily basis. Formal recognition of the union as collective bargaining agent, it was reported by the union, was deferred pending the disposition of a charge of unfair labor practice lodged by the union against the bank. The union has asked the State Labor Board for permission to withdraw its charge and the State Labor Board itself, according to Rev. W. J. Kelley, Chairman of the board, has the request under consideration.

"Over 50 Club" Planning Dinner

The "Over Fifty Club" will shortly announce its second annual dinner. Any member of the Municipal Bond Club of New York who will have reached the 50th anniversary of his birth by noon, EST, April 10, will be qualified to attend, and should communicate with Phillips T. Barbour, secretary of the group, First Boston Corp., New York City.

Now Proprietorship

MT. CARMEL, ILL. — John M. Mitchell is now sole proprietor of The Mitchell Co., 107½ West Fourth Street. Mr. Mitchell was previously President of the firm.

Arthur Ross Director

Arthur Ross, Vice-President of Central National Corp., 22 East 40th Street, New York City, was elected to the Board of Directors of Lake St. John Power and Paper Co. Ltd., and St. Lawrence Paper Mills Co. Ltd. Mr. Ross was recently elected to the board of the parent company, the St. Lawrence Corp.

Dir. of Bankers Trust Co.

S. Sloan Colt, President of the Bankers Trust Company, has announced the election of William H. Jackson to the board of directors. Mr. Jackson is a partner in J. H. Whitney and Company of New York.

Joins Staff of Tifft Bros.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Donald J. Beaton has become affiliated with Tifft Brothers, 49 Pearl Street, members of the New York Stock Exchange. Mr. Beaton was formerly with Brainard, Judd & Co.

Harold J. Hifton Opens

SUFFERN, N. Y. — Harold J. Hifton is engaging in the securities business from offices at 60 Washington Avenue. He was formerly with W. W. Henry & Co. of New York City.

President Urges Highway Accident Reduction

Calling attention to the increasing number of citizens killed in automobile accidents in the United States, President Truman called upon every State and community to work unceasingly throughout 1947 to promote highway safety, according to Associated Press advices from Washington which also added: The President referred to the recommendations of his Highway Safety Conference "with respect to uniform traffic regulations" and "strict impartial enforcement of traffic codes," and expressed the hope that reforms would soon be put into effect. Mr. Truman also urged drivers to exercise care, without which, he said, "laws and regulations will be of little avail."

Ind. Securities Corp.

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND. — Indiana Securities Corporation is engaging in the investment business from offices at 108 East Washington Street.

With Woolfolk, Huggins

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA. — Wilton E. Bland has been added to the staff of Woolfolk, Huggins & Shober, 839 Gravier Street, members of the New Orleans Stock Exchange.

INDEX

For detailed index of contents see page 1375

Old Reorganization Rails
Domestic & Foreign Securities
New Issues

M. S. WIEN & Co.
ESTABLISHED 1919
Members N. Y. Security Dealers Ass'n
40 Exchange Pl., N. Y. 5 HA. 2-8780
Teletype N. Y. 1-1397

Raymond & Co.
148 State St., Boston 9, Mass.
Tel. CAP. 0425 : : Teletype BS 259
N. Y. Telephone HAnover 2-7914

HAnover 2-0050 Teletype—NY 1-971
Firm Trading Markets
BRITISH SECURITIES
All Issues
CARL MARKS & CO. INC.
FOREIGN SECURITIES SPECIALISTS
50 Broad Street New York 4, N. Y.
AFFILIATE: CARL MARKS & CO. Inc. CHICAGO

NEW ENGLAND PUBLIC SERVICE COMPANY
$7.00 Preferred Cumulative — $6.00 Preferred Cumulative
UNITED STATES FINISHING COMPANY
$4.00 Convertible Preferred — Common
BOUGHT—SOLD—QUOTED
Kobbé & Company
INCORPORATED
Members National Association of Securities Dealers, Inc.
55 Liberty Street, New York 5, N. Y.
Telephone BArclay 7-2663 Teletype NY 1-277

We Specialize in all
Insurance and Bank Stocks
Industrial Issues
Investment Trust Issues
Public Utility Stocks and Bonds
TEXTILE SECURITIES
Securities with a New Eng. Market
Frederick C. Adams & Co.
Specialists in New England Unlisted Securities
30 FEDERAL STREET, BOSTON 10
Established in 1922
Tel. HANcock 8715 Teletype BS 22

A MARKET PLACE FOR LOW PRICED UNLISTED SECURITIES
Aircraft & Diesel Equip.
Benguet Cons. Mining
Ceraseal Chemical
Consolidated Industries
Copper Canyon Mining
Cosmocolor
Differential Wheel
Electric Steam Sterilizing
Federal Asphalt
Gaspe Oil Ventures
Globe Oil & Gas
Greater N. Y. Industries
Kellett Aircraft
Kinney Coastal Oil
Lava Cap Gold
Linn Coach & Truck
Martex Realization
Myler Plastics
Palmetex Corp.
Petroleum Conversion
Pressurelube
Princess-Vogue Shops
Red Bank Oil
Reiter Foster Oil
Standard Silver & Lead
Trenton Valley Distillers
MORRIS STEIN & CO.
Established 1924
50 BROAD ST., N. Y. 4 HANOVER 2-2895
TELETYPE—N. Y. 1-2866

Geroter-May
U. S. Radiator Pfd.
Golden Crown Mining
Sunshine Consolidated
W. T. BONN & CO.
120 Broadway, New York 5
Telephone COrtlandt 7-0744
Bell Teletype NY 1-886

Shortage of Freight Cars indicates long-term large volume of business for
RALSTON STEEL CAR CO.
(freight car manufacturers)
Market about 9
1946 high about 12
Circular Available
LERNER & CO.
Inactive Securities
10 Post Office Square, Boston 9, Mass.
Telephone Hubbard 1990. Teletype Bs 69.

*Seaboard Fruit Co., Inc.
*General Products Corp.
*Susquehanna Mills
Empire Steel Corp.
*Prospectus on Request
Hill, Thompson & Co., Inc.
Markets and Situations for Dealers
120 Broadway, New York 5
Tel. REctor 2-2020 Tele. NY 1-2660