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The COMMERCIAL and FINANCIAL CHRONICLE

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The Miracle of American Production

"It must be obvious that the world is now in a position where, more than ever, it needs the miracle of American production.

"Hitler scotched the world—physically, politically, economically and spiritually.

Bernard M. Baruch

"It is only here in America that we have the seeds of recovery.

"Through greater effort we must proceed to help the world to help itself.

"If we do not produce more and more, and still more to help set the world on its feet again, there will be no recovery until after the most dire results.

"America is the sole hope.

"Here we still have faith and courage."

BERNARD M. BARUCH
March 3, 1947
Georgetown, S. C.

Editor's Note—The above paragraphs are taken from a letter written by Bernard M. Baruch, Esq., on March 3, 1947, to Alexander Wilson, writer of the article, "How President Truman Can Regain His Lost Prestige," which appeared in the "Chronicle" Feb. 13. These paragraphs are accordingly published with Mr. Baruch's permission.

The Slump Psychosis

By FREDERICK H. ROSENSTIEL
Economist for Arnhold and S. Bleichroeder, Inc.

Ascribing a slump psychosis to remembrance of what happened in 1920-21, Mr. Rosenstiel questions such arguments of "the Bears" as: (1) danger in rising inventories; (2) excessive commodity price levels leading to buyers' strike, and (3) unfavorable foreign situation. Points out errors in drawing analogy of present conditions with conditions after World War I, and foresees stock market advance when pessimistic sentiment gives way to a more constructive attitude.

Today, we see ourselves confronted with a very baffling situation. Our economy is booming and almost all influential businessmen are optimistic about the future of their own business. Yet, many at the same time express grave doubts about the general business outlook and fear of a "recession" is widespread. Earnings and dividends of most industries are not only very good, but still on the upgrade; the pessimists argue, however, that they are always at their peak just before the slump. Perhaps the most surprising feature of the present situation is that this slump psychosis persists at a time when our economy is still characterized by appalling scarcities in many fields. The housing shortage is too well known to bear repeating. We hear from the motor industry that car production in 1947 will not exceed 3½-4 million in spite of a terrific demand and in spite of a production capacity of about 6 million cars. The demand is there, but a shortage of sheet steel, copper, lead and some textiles prevents this industry from operating at full capacity. The same

F. H. Rosenstiel

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The Outlook for the Stock Market

By FRANCIS W. LA FARGE
Analyst, Clarke, Dodge & Co.

After reviewing stock market trends in last two years, Mr. La Farge concludes large volume of stock overhanging market, coupled with political and international uncertainties, have put effective ceiling on prices for months ahead. Sees no clear evidence that nine-month bear trend has been reversed and believes that probability of further decline is enhanced by possibility of reduction in corporate earnings.

The year 1947 opened with many conflicting opinions and trends, the majority of which had their origin in the first half of 1946 or even earlier. Some of the trends which were apparent in 1946 had already changed their directions and a number of others seemed upon the verge of so doing. An attempt to assay these trends, their future directions and their importance seems of cardinal importance in any estimate of the movements of the stock market in 1947. Not only will these trends be the major determinants of final earnings for the coming year—and earnings and the resultant dividends form one of the basic factors behind the level of stock prices—but the pattern and direction of these trends will weigh heavily in the valuation of 1947 earnings, an even more important factor in determining the average level of stock prices.

F. W. La Farge

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Should the U. S. Withdraw from the United Nations?—A Retrospect

By WILLIAM A. ROBERTSON*
National Board of Fire Underwriters

Mr. Robertson points out difficult position of U. S. in the United Nations, due, he says, to absence of a clear foreign policy, and because her territory lies outside Europe. Holds U. S. position difficult because of policy of upholding democracy and free elections among peoples who don't understand these principles. Cites failure of Woodrow Wilson's ideas and says U. S. is considered a meddler by nations she desires to assist and protect. Urges withdrawal of U. S. from United Nations and formation of United States of Europe and closer relations between nations of western world.

Wm. A. Robertson

The completion of one year of active existence on the part of the United Nations invites some consideration of what it has accomplished. It is not, however, the purpose of this article to undertake a review of all its doings. All that is here attempted is to consider the position which our own America has occupied in the deliberations and workings of the United Nations. That our position has been far from satisfactory, is probably the opinion of many thousand of

(Continued on page 1680)

*Mr. William A. Robertson's previous articles include "Should the United States Go Into Partnership with Foreign Nations?" ("Chronicle" June 29, 1944, issue), and also "Why a World Peace Federation Will Not Succeed" ("Chronicle" Jan. 4, 1945, issue).

Swedish Labor and Industry Disagree on Socialism's Progress

By AXEL IVEROTH
Federation of Swedish Industries

Industry representative argues that labor's increased political control has upset nation's economic balance. Contends past almost exclusive private ownership has made possible impressive social reforms. Reports businessmen anxious to cooperate with Social-Democratic government, but charges socialistic moves are indirectly undermining private enterprise by interfering with its efficiency, by taxation policies, by overdoing reform, and by supplanting free market with restricting political bureaucracy.


Axel Iveroth

STOCKHOLM, SWEDEN — Swedish private industry does not object to government participation in planning, but it does object to any policy which will make wages and prices subject to political decisions.

In any free economic system the productive apparatus is based on a triangle composed of labor, capital and consumers. In Sweden, this triangle has now been upset, because organized labor controls the political power.

How long this will last is hard to say. The majority of the Social Democrats was obtained as late as 1940; in the 1944 elections they lost 19 seats however, and in the Second Chamber now hold barely one-half of the seats. In the provincial elections in 1946 they sustained further losses which in due course will be reflected in the membership of the First Chamber. The group making the greatest gains in 1946 was the Peoples' Party, the former Liberals. While it is a party of the left, it distinctly opposes both nationalization of private property and political control over industry. The next election comes in 1948.

This being the situation, there is noticeable a certain hesitation in the Social-Democratic propaganda as regards nationalization. The party leaders frequently profess themselves to be supporters of a free economic system. Talk of further government ownership and control over production is not to be taken too seriously, they seem to imply. They do favor the highest possible rate of production and only if that can be aided by government intervention would they favor such action, they say.

Imminent Nationalization

So far, to be sure, the Swedish Labor Government has not taken any direct steps toward public control of private industries, although it has prolonged some of the wartime regulations introduced by its predecessor, the national coalition government. But it has appointed special committees to investigate certain industrial or commercial enterprises with the professed view of finding more efficient methods of production or organization. The industries now under such scrutiny are the boot and shoe manufacturers and the furniture factories. The beet sugar and stone cutting in-

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By TAGE LINDBOM
Research Director Swedish Federation of Labor

Swedish labor organization official praises postwar efforts to achieve full employment, maintaining all economic activities—both private and public—should be coordinated by communal planning. States government intervention, including non-profit enterprises, has restored house production despite materials shortages. Describes Sweden's current program as constructively aiming at (1) full employment, (2) more equitable distribution of wealth, (3) higher productive efficiency and greater economic democracy.


Tage Lindbom

STOCKHOLM, SWEDEN — During the recent war the conviction was often expressed that after the fighting was over, a new world would come into being. In the sometimes confused debates on this subject there was one point on which all agreed: Experience had shown that full employment was possible in wartime and if that was so, why not in peacetime? This problem was discussed by the working men of Sweden, too. For a Social-Democratic group it was not a new topic, but thanks to the war, it had a fresh news interest.

In 1944 a joint committee, representing the various organizations of the Swedish labor movement, the political and educational as well as the economic, published a joint postwar program, which, in 1945, was adopted by the newly formed Social-Democratic government as its guide for future action. (An English edition was printed in 1946)

The fundamental idea in this program is to coordinate all economic activities, whether public or private, into a planned economy, so that both labor and material resources may be utilized most effectively to achieve the highest rate of production possible. Such a coordination must be brought about under the community's direction and in such a way that private interests will be subordinated to the common welfare.

Full Employment Emphasized

First of all, full employment ought to be assured. Full employment and full use of the collective power to produce leads to an increased national income. This income must be used for the benefit of all in a more equitable way than has heretofore been the case, so that the poorer and wage-earning groups will get a larger share in the general increase of prosperity. Finally, the program demands greater efficiency in production and increased opportunities for the citizens whether individually or through their organizations, to share in the work of improving both production methods and the standard of living—in other words, an industrial democracy.

The Fundamental Program

The Swedish postwar program is divided into three main parts: (1) Full employment; (2) a more

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Free Markets and the Free Enterprise System

By DR. LEWIS H. HANEY*
Professor of Economics,
Graduate School of Business Administration, New York University

Terming free enterprise "free individual choice on part of those who direct production," Dr. Haney asserts this cannot exist without free markets. Points out greater productivity under free enterprise system and lists as fundamentals to free markets: (1) standard money, and (2) scientific economics, based on a price and profit system and sound rules of taxation. Urges house-cleaning to repair and restore American economic structure.

Twenty-five years ago no one would have thought the system of free private enterprise to be in danger. Today, with England, its birthplace, in the hands of the Socialists, and Russian "Reds" over-running Europe and the Orient and boring from within in our midst, it has become what may fairly be called a debatable question. It is high time that American citizens developed an ideology of their own—an ideology of freedom.

Lewis H. Haney

The outstanding idea in my topic "Free Markets and the Free Enterprise System," lies in the word, freedom. What is freedom? Why do we want it? How can we get it and keep it? These are the questions it suggests.

I. What Is Freedom?

The true answer to this question takes us a long way towards solving our problem. If only the average American understood precisely what freedom is!

Freedom is equal opportunity. In other words, freedom means a chance for each member of society to choose what he will do, the chance of each being equal to

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*Address by Dr. Haney before Conference on the Pattern of Free Enterprise in the Postwar Era, Graduate School of Business Administration, New York University, in cooperation with the Mortgage Bankers Association of America, New York City, March 19, 1947.

Pending N. Y. State Baby SEC Law

New York State Securities Transactions Bill a departure from our system of free enterprise. May be a burden on interstate securities transactions. Has a patronage motif and for the first time attempts to place the state in the field of over-the-counter and Curb regulation. Securities listed on the N. Y. Stock Exchange exempted. Would interfere with the practices of the over-the-counter and Curb markets as established by trade custom. Securities field and public should unite to defeat bill.

We venture the observation that an excellent and compelling thesis can be made for the proposition that the excessive rate at which legislation is being ground out is a bane to civilization.

Our position, particularly in the securities field, is that existing laws are adequate to permit the public authorities to take effective action to the extent that is desirable, even though they do not make possible the remolding of the securities and other businesses to conform to the New Dealish ideas of some of our reformers.

The revival of these observations is prompted by the Securities Transactions Law now pending in the New York State Legislature.

Assemblyman William E. Clancy first introduced the bill in skeleton form which provided for the establishing of a securities control division in the executive department. The purpose of introduction in that form was apparently speed so as not to miss the then session of the Legislature, and with the intention of ambitious and large amendment.

The bill (printed in the "Chronicle" of March 6, page 1255) was subsequently amended and it is with the bill as amended that we shall treat in part today.

This proposed legislation is inapplicable to "the buying,

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Outlook for Government Bonds

A LOWER LEVEL OF BUSINESS ACTIVITY IN OFFING

By RAYMOND RODGERS*

Professor of Banking, School of Commerce Accounts & Finance, New York University

Pointing out all booms come to an end, Dr. Rodgers sees price structure as outrunning current purchasing power, which may induce a decline in business activity by end of year. Says burdensome tax structure will then become more apparent and advocates pruning of Federal budget. Looks for no immediate large Federal refunding but, instead a coming flood of municipals. Concludes wartime pattern of government interest rates will be maintained in current year.

As is well known, mutual savings bankers are public servants of the great army of the thrifty. Although it is not always fully appreciated, they are, also, public servants of all the people to the extent that they accumulate the small savings of millions of depositors and turn them over to the government on a grand scale. Thus, the savings banks have collected and turned over $12 billion of their depositors' money—real savings, not artificially created book credit—to our government for its securities.

Raymond Rodgers

Savings bankers, as a result, have a direct interest in our government and the outlook for its securities. They have even more than that—they have a heavy responsibility, because of the semi-fiduciary character of their deposits, to keep fully informed on government credit developments.

Government credit, even more than private credit, depends on basic, fundamental factors, such as business activity, prices, taxes, public expenditures, and general fiscal and budgetary developments. These basic factors will now be briefly sketched to serve as necessary background for a discussion of the market outlook for governments, which will be my main theme this afternoon.

Business activity continues at a high level—in fact, a much higher level than the forecasters expected. The immediate outlook, also, is much more encouraging than had been anticipated. The national income, which set a record of $165 billion in 1946, is expected to reach an even higher level in 1947. The national income level has been so high since the beginning of the year that a new record will probably be made even if business activity declines later in the year as expected. There are many other favorable factors in the business situation which could be presented to bear

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*An address by Dr. Rodgers before Savings Banks' Association of Connecticut, Investment Forum, New Haven, Conn., March 20, 1947.

BUSINESS BUZZ

"I'd Feel a Lot Better About This Raise If the Boss Had Given It to Me on Some OTHER Day!"

The Management of the Public Debt

By DANIEL W. BELL*

President, American Security & Trust Co., Washington, D. C.
Former Under-Secretary of the Treasury

Defining public debt management as a living mechanism designed to keep a quarter-trillion dollars of securities in good condition and in proper hands, former Treasury official reviews efforts of wartime fiscal and debt administration towards this objective. Lauds recent debt redemption policy and the isolation of savings bonds through guaranteed redemptions from fluctuating markets. Holds short-term debt is easier to handle than long-term in severe market difficulties, and warns against "moving the banks into long-term debt." Sees no need for "undue worry" about the national debt.

It is a pleasure to be here today to speak to this assembled group representing both the banking profession and the academic life. It is particularly appropriate that the views of these two groups be brought together from time to time. Each can help the other. Traditionally, bankers are supposed to be hardheaded men well versed in the art of saying "no." Professors, on the other hand, are often thought of as theorists and visionaries. We all know that these generalizations are inaccurate, but I think it is fair to say that a mixture of the qualtities ascribed to bankers and to professors is desirable in studying the new problems constantly arising.

Daniel W. Bell

It is very gratifying to notice the change of policy adopted by banking groups throughout the country during the past few years. The bankers in groups such as this

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*Address by Mr. Bell at the Missouri Bankers Conference, Columbia, Missouri, March 19, 1947.

Washington ... And You

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

If it's a showdown with Russia that President Truman wants, he's about to get it via Congress. Ultimately—but not before the March 31 deadline—Congressmen will give the President authority to intervene in Greece and Turkey. Actually, that's not so important as disclosures and policy pronouncements to be forthcoming during debate on the enabling legislation.

Votes against the President may be few in the end. Right now they are numerous and powerful enough to force important diplomatic revelations. Already the heat of congressional tempers has melted the "secret" seals from State Department documents. And there'll be more of that before the Truman intervention plea is OK'd. White House opponents are resolved to spread on the record for the public and posterity the avowed intent of the President and his diplomats.

* * *

So remember — don't be too concerned about the final tally. Truman will garner more votes than he needs. But watch debate for details of our new war of dollars and nerves against Russian expansion. You may see the pattern for the military World War Three begin to take shape.

Two most vital facts will be silhouetted against the world horizon by congressional talk and action on foreign policy: (1) the U. S. is now ready to counter Russian expansion with economic retaliation; (2) the U. S. will not hesitate to by-pass the United Nations when national interests so dictate.

* * *

One by-product of shoving our ramparts into Greece and Turkey will be some deterioration of the United Nations Organization. That may be denied now but will be underlined by subsequent happenings.

* * *

Federal Reserve Board Governors are becoming restive because Congress continues to ignore Chairman Eccles' plea for permanent consumer credit con-

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Observations . . . .

By A. WILFRED MAY

ONE OF BRITAIN'S HOTTEST SPOTS

Typifying the Empire's Colonial Difficulties

JAMAICA, BRITISH WEST INDIES—If it is true that the extent to which Britain salvages her disintegrating Empire depends on the efficacy of her further efforts toward economic reconstruction, nowhere does she face a more difficult task than here in Jamaica—largest and most valuable of the West Indies, but with her gorgeous splendor enveloping incredible squalor and dirt, tumbled-down shacks, and illiteracy.

A. Wilfred May

And here too exists one of the "hottest" places in the Empire for the restoration of dwindling confidence in British rule; a problem which is inextricably bound up with the economic factors. For in Jamaica the dis-loyal opposition is being unceasingly, flamboyantly, bitterly, and (worst of all) efficaciously, inflamed by a native individual sometimes called the Island's uncrowned king, a dictator of the Italian Mussolini-Petrillo type, an ex-soldier of fortune descended from an Irish father and a mulatto mother—one William Alexander Clarke Bustamente.

Adopted as a child by a Spaniard, Bustamente took his name, knocked around the world as a seaman, worked as a waiter at Harvard University, was a Cuban police inspector, served as a Spanish army officer under ex-King Alfonso XIII, won a quarter million dollars in Wall Street speculations, and finally returned to Jamaica in 1936 to start the hard-boiled "Bustamente Maritime Union" and organize the backwoods and plantation sugar and banana workers. Today his "Bustamente Industrial Trade Union" has a membership of 45,000 sugar workers, 40,000 small farmers, 10,000 dock workers, and many thousands of commercial and industrial employees. In his union's constitution one clause reads: "There shall be a standing committee of one—the Life President [himself], who shall have complete authority over the union and all expenditures, and shall hold full power to hire and fire all emloyees." In 1940 he founded the Jamaica Labor Party of which he is still President, is Minister of Communications, a member of the Island's Executive Council, and boasts that he is the *de facto* Prime Minister.

During a bitter strike of hospital workers last year, after being hit on the head by a brick hurled by a hospitalized lunatic, Bustamente was arrested on a charge of manslaughter in connection with the killing of three of his opposition. But incidents like this, including two jailings, have not materially slowed up his agitating activities; subsequently evidenced in a severe railroad strike, in the waterfront strikes of last July, and in the present battle to reduce the $1.25 working day of the sugar workers from 11 to 8 hours. Probably his most important remaining objective is nationalization of the Island's vast tracts of land for distribution among the peasants.

Paralleling trade union movements in other countries, Bustamente has a rival in his first cousin, Norman Washington Manley, a Rhodes Scholar, who leads the competing union affiliated with the Left-Wing People's National Party. The two labor chiefs, not even on speaking terms, continually get their followers into the bitterest "jurisdictional" brawls.

The Low Economic State

The economic set-up of this Island, unfortunately for the mother country, is over-ripe for the activating of native discontent. Nearly all the large plantations raising sugar cane and bananas are owned by foreign companies or foreign individuals, with wage policies en-

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Members of NYSE Believed Inclined to Favor Substantial Increases in Commission Rates

Agitation for rate revision stimulated by poll which Association of Stock Exchange Firms has been conducting among its members to sound out opinion on three different plans. Issue will go before Board of Governors of NYSE for its consideration at next policy meeting in two weeks.

If a vote were being taken today among the members of the New York Stock Exchange on the question of whether or not commission rates should be raised, the issue would probably be decided in favor of an increase because, though opinion is divided on the matter, the advocates of an upward revision of the rates do seem to be decidedly in the majority. The Board of Governors of the Association of Stock Exchange Firms, it will be recalled, voted last week to recommend an increase to the Board of Governors of the NYSE. A survey of opinion among the members of the Exchange generally, however, has revealed a very strong feeling in favor of an increase.

Thinking on the question, of course, has been stimulated by a poll which the Association of Stock Exchange Firms has been conducting among its own members to sound out opinion on the issue. As the proposition is stated by the Association, the question is not a clear-cut issue of whether the members would like to see the rates increased or not. The members are given a choice of three options which are described as Plan A, Plan B and Plan C, respectively. Plan C would leave rates pretty much as they are now or, if anything, have the tendency to lower the commission on the average just a little, it is thought.

In postulating a possible increase, the Association is suggesting that commissions be computed on a dollar volume basis. Thus, Plan A, for instance, would fix commissions on the basis of the following schedule: Dollar transactions up to $100, 6% commission; from $100 to $1,000, 1% plus $5; from $1,000 to $5,000, ½ of 1% plus $10; over $5,000, 1/10 of 1% plus $30. These commissions, it is estimated, would up the rates something like 27 or 27½%. Plan B would follow this schedule: Up to $1,000, same as Plan A; from $1,000 to $2,000, ½ of 1% plus $10; from $2,000 to $10,000, ¼ of 1% plus $15. These commissions would up the rates about 24%.

Outside of New York City, brokers are almost unanimous, it

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Robt. Hudson Now With Gross, Rogers & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Robert W. Hudson has become associated with Gross, Rogers & Co., 458 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Hudson was formerly with Sutro & Co. and Buckley Brothers.

With Holton, Hull & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Harry H. Schulte has joined the staff of Holton, Hull & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. He was previously with Maxwell, Marshall & Co.

J. Henry Davis with Newburger, Loeb Co.

Newburger, Loeb & Co., 15 Broad Street, New York City, members of the New York Stock Exchange and other exchanges, are opening a foreign bond department under the direction of J. Henry Davis. Mr. Davis was formerly with Ira Haupt & Co.

N. Y. Mediation Board Mediating, So Far Without Success, in UFE-A. M. Kidder Dispute

By EDMOUR GERMAIN

The New York State Medation Board has again intervened in the dispute between the United Financial Employees, AFL, and A. M. Kidder & Co. in an attempt to avert the threatened strike but so far without encouraging results. Though the Board called representatives of the union and the firm to numerous meetings every day this week to date, the Board was still unable last night to report much progress in negotiations. That the Board is using everything it has to effect a settlement is seen in the fact that Arthur Meyer, Chairman of the Board, himself has entered into the picture to see what can be done.

The issue—if indeed it can be said there is but one major issue involved in the controversy—seems to hinge upon the question of an across-the-board increase in wages. A week ago the main issue might have been said to be arbitration. There appears now to be the slightest suggestion in the air that the union would be willing to scale down its demands quite considerably if the firm would consent to the principle of an across-the-board increase in wages. A. M. Kidder & Co., however, is standing firm on its previously stated position that it has already granted merit raises and removed certain inequities in pay, that it is unable to grant additional raises because of the condition of business, and that it will give neither arbitration nor across-the-board increases any consideration whatsoever.

The union, feeling that its own interest are served best by adhering to the terms of the contracts with the New York Stock Exchange and the New York Curb Exchange despite any temptation it may have to by-pass these documents in order to use such power as it has or thinks it has at these Exchanges to exert influence upon the A. M. Kidder controversy, served 30-day notices of cancellation of contract upon both Exchanges last Friday in accordance with a provision in both contracts giving them authorization to do so in the event a member firm refuses to submit any dispute with it to arbitration. This action makes April 21 a possible day for decision by the union. If the dispute with A. M. Kidder & Co. is still unsettled then, there isn't much doubt the union will pull its members out of A. M. Kidder & Co., the Exchanges and possibly out of some of the other firms on the "Street" with which it has or has had an argument on that day.

The union's dispute with A. M. Kidder & Co. has thus grown into an argument with the entire brokerage industry. In fact, the union

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The Survival of a Free Economy

By VIRGIL JORDAN*

President, National Industrial Conference Board

Asserting there can be no democracy without economic freedom, Dr. Jordan traces impact of socialistic and communistic economic developments in Europe and our efforts to impose a political and economic system on other countries. Holds you cannot fight Communism with Communism and deplores recent trends away from economic freedom. Says there is evidence here of intellectual, moral and emotional surrender to some from of collectivism and cites as example Administration's reconversion policies. Contends we have a "mixed economy," and accuses Russia of carefully planned conspiracy to sovietize world. Attacks dogma of unlimited government and urges complete international disarmament, both military and political.

Ten months ago, when you innocently assigned me this subject, it had a somewhat dry and academic sound, even for a dignified occasion like this; but any time since I could have discussed in a detached fashion, as I have been doing for a dozen years, the dangers that have menaced a free economy in America, the symptoms, causes and consequences of its decline, and the conditions of its survival; and with pleasant and properly proud thoughts of these past 75 years you are celebrating in the life and accomplishments of this distinguished professional society, you would probably have gone home to bed and forgotten all about it.

Dr. Virgil Jordan

Tonight a very different task faces anyone who undertakes candidly to consider the future, in America, not merely of economic freedom but of all the other freedoms that are bound up with it. One can now speak of it only with a sense of desperate urgency and anxiety, for its destiny here and elsewhere in the world is being

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*An address by Dr. Jordan before American Institute of Mining & Metallurgical Engineers, New York City, March 19, 1947.

Reasons for Confidence In Canadian Credit

By COURTLAND ELLIOTT, C. B. E.*

Director, A. E. Ames & Co., Ltd., Toronto

Director, Canadian Chamber of Commerce

Canadian banker recounts Canada's economic strength and stability despite war sacrifices, and contends, barring abnormalities, ample grounds exist for sustained confidence in his country's internal economy and in her continued ability to raise revenue necessary for debt service and general government purposes. Denies likelihood of devaluation of Canadian dollar, and holds its stability has been assured by convertibility of Sterling and other currencies into U. S. dollars.

To me a bond is always different from ordinary merchandise. It can be regarded almost as a living thing reflecting in its changing quotations the ethical and economic substance of its issuer. It occurred to me, therefore, that the most useful purpose I could achieve this morning would be to try to put myself in your place as holders of Canadian bonds and survey three aspects of the Canadian scene.

Courtland Elliott

In the first place I imagine you will welcome some comment as to whether wartime changes in political, economic and social institutions have altered the basic security of Canadian bonds; secondly, whether our budgets are conducive to willingness and ability to meet our debts; and thirdly, whether there is an important transfer problem in getting U. S. dollars into your hands.

Canadian Conditions in 1941

I have mentioned that I have been in Connecticut before. It was under very different circumstances from those prevailing on this Spring day. When I was in Hartford on April 8th, 1941, talking to the insurance people, the air was full of uncertainties. Canada had been at war for a year and a half but no one knew for certain whether the United States would join the fray. The Germans were invading Yugoslavia when I reached New York on the way up here and the situation looked dismal for the Allies. The Dow-Jones industrial average was at 121 and on the way down to new depths in 1942. The Canadian dollar was under control and quoted at approximately 10% discount. Today the official dollar is at par. Canada external 4% of 1960-50 had sold at 69 in May 1940 and were then quoted at 92⅜. Today they are 108¼ with the call date only 3½ years away.

This was obviously not an atmosphere in which to breathe confidence and give vent to unbridled optimism. In my remarks at that time I outlined the inherently unstable external economic position of Canada over a 40-year period, due principally to our dependence upon a notoriously fluctuating volume and value of foreign trade. I referred to the actual and prospective periodic crises in our balance of international payments in that period which produced occasional discounts on the Canadian dollar but virtually never (with the exception of the Alberta episode) resulted in default on the princi-

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*An address by Mr. Elliott before the Savings Banks Association of Connecticut, New Haven, Conn., March 20, 1947.

The Outstanding Labor Issues

By THOMAS J. ANDERSON, JR.*
Associate Professor of Economics, New York University

Professor Anderson holds outstanding problems to be faced in formulation of national labor policy are contained in excessive concentration and misuse of union power in connection with (1) union membership practices; (2) responsibility of union organizations; (3) scope of collective bargaining; (4) strikes; (5) picketing; (6) secondary boycotts; (7) union "trade barriers"; (8) make-work rules; and (9) union restraints on commercial competition. Concludes many changes needed in labor law to prevent excessive union power from jeopardizing free enterprise, fundamental rights of workers, competitive system, living standards and public safety and welfare.

We are in a period of fundamental changes in the law affecting labor relations in our economic system. Numerous states have been in the process of formulating legal standards for labor organizations since 1943, and it now appears that the Federal Government may add materially to this body of law in 1947.

Thos. J. Anderson, Jr.

The character of labor law adopted during the next few years will be a major factor affecting the functioning—and even the survival—of an economy of predominantly free enterprise. Such is the case because monopolistic tendencies in labor markets are among the more important forces threatening the continuation of sufficient freedom, flexibility, and competition to permit such an economy to function.

If labor organizations are to be an acceptable feature of a free enterprise economy they must not interfere substantially with the system's basic characteristics. Rather, such organizations and their practices must be reasonably consistent with freedom of enterprise, freedom of contract, freedom of exchange, mobility of labor, competition and other fundamental features of this type of economic system. Moreover, if labor organizations are to assist in raising standards of living *in general* they must encourage rather than discourage the productivity of the nation's labor.

The problem of establishing proper legal standards for labor organizations today is not merely one of adopting rules of law which will cause them to be more responsible and orderly institutions.

It is the problem, instead, of imposing upon them lawful standards of *organization and conduct*

(Continued on page 1678)

*An address by Professor Anderson before Mortgage Bankers Conference at the Graduate School of Business Administration, New York University, March 21, 1947.

Our New Foreign Policy

By ALF M. LANDON*
Former Republican Candidate for President

Recalling his previous opposition to Administration's foreign policies, former Republican Party leader holds nation has been on wrong track. Voices approval of President Truman's request for aid to Greece and Turkey and urges stiff attitude toward Russia in blocking that nation's aggressions. Lays down six planks to constitute our foreign policy and warns, despite our unsurpassed strength, we should avoid following British imperialistic policies.

I opposed the prewar foreign policies of President Roosevelt on two grounds.

Alf M. Landon

1. They were so patty-cake worded that they led the aggressor dictators to believe the American people would not fight.

2. By the same token they were deceiving the American people into war.

The President's epochal message to the Congress on the Grecian and Turkish loans is not open to the same basic criticisms. But some of his cabinet—the Secretary of the Navy—are having difficulty facing up to our problems as a whole. In a speech a few days later saying that military aid only meant four or five officers, Secretary Forrestal continued the evasive and equivocal approach so characteristic of the New Deal.

I have opposed our postwar foreign policies on the ground that they were an attempt to build a super-structure for peace without any foundation. It is late, but there is another angle—other than our own security—to our foreign policies that we must consider. That is respect for treaties and agreements we are a party to.

The biggest lesson the American people have to learn in foreign affairs is the ultimate end of their commitments. It is time we recognized where internationalism of the hallelujah brand brings us.

Need Guide Posts to Foreign Policy

We have created our present situation by acting weak and foolish instead of wise and strong in our foreign affairs. Our foreign policy in recent years has been a thing bent quickly to solve each momentary crisis or a political campaign at home. We need some plain, simple guide posts.

At a time when the United States had reached an unprecedented position as a world power, and possessed of every means of asserting its moral leadership, we made practically no use of our incomparable strength. We allowed ourselves to become a party to promoting a world peace settlement, based on Power domination and the virtual enslavement by Russia of formerly free and sovereign European nations.

The new world order emerging from this compromise, cannot be regarded as stable or permanently

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*An address by Mr. Landon before Men's Club of Temple Emanuel, Wichita, Kansas, March 19, 1947.

Testing Our Foreign Policy

By JAMES P. WARBURG*
Director and Former President, Bank of the Manhattan Company

Asserting nation does not realize its radically changed position in world affairs, Mr. Warburg points out gaps in foreign policy planning as: (1) failure to take account of "world revolution"; and (2) failure to realize implications of world government in United Nations idea. Says we are in danger of following Soviet in pursuing dual policy which almost inevitably ends in war, and urges nation not "fritter away its strength by bucking tide of history." Says we should state frankly our purposes in aiding Greece. Concludes only way to stop spread of totalitarianism is the counterforce of dynamic democracy.

Foreign policy is not merely a course of action, but a course of action pursued to achieve certain ends. These ends must be clearly seen and constantly held in view, if the course of action is to be policy, and not merely a series of improvisations to meet circumstances as they arise.

In this broader sense, I submit the considered view that the United States has no foreign policy at the present time.

James P. Warburg

Let me draw for a moment upon personal experience. During the war, we learned in the planning of psychological warfare, or propaganda policy, that, to be effective, our policy had to establish three things: First, certain broad aims; second, immediate objectives, or concrete stepping stones, along the way toward these aims; and finally, procedures or courses of action toward the accomplishment of the immediate objectives.

For example, if our broad aim was to destroy German civilian morale, we might decide upon three immediate objectives such as:

(1) To destroy the German people's confidence in their air force and anti-aircraft defense;

(2) To destroy the German people's confidence in the loyalty of Germany's allies; and

(3) To convince the German people that they were not being told the truth about the course of the war.

We might consider other objectives and reject them as for the moment impractical, or not sufficiently important, or inconsistent with military plans or security. In other words, we would consider the various means by which we might accomplish our aim of destroying the German will to war, and then pick those few which seemed to hold forth the greatest promise, and to contain the fewest pitfalls.

The next step, having selected the objectives, would be to go through much the same process in selecting courses of action designed to accomplish each objective, without allowing the action taken in pursuit of one to become inconsistent with action taken toward the achievement of another.

This principle of consistency would apply also to the selection of objectives under various aims. For instance: We might have two broad aims: first, to destroy German morale; and second, to win the friendship of the Italians. If we decided to pick, as a stepping-stone towards the first, the undermining of Germany's confidence in her allies, we had to be careful, in doing this not to say anything which might offend and alienate the Italians.

Thus a consistent planned course of action would be evolved.

Planning a Peacetime Foreign Policy

Much the same sort of careful planning needs to be done in peacetime foreign policy, if that policy is to be effective. It is not being done at the present time. We have no clearly defined broad aims and hence no objectives carefully selected to accomplish those aims. We have only a course of action dictated by vague fears and desires, inconsistent objectives and changing circumstance.

This is not primarily due to lack of vision and skill in high places. It is due primarily to the state of mind in which we, as a people, find ourselves at the present time. This state of mind is caused to some extent by the suspension of Presidential fireside chats and the failure of our present leadership to make any serious and continuing effort to inform the people about the problems faced by their government. Even more, our present curious state of mind is brought about by the fact that we do not fully realize how radically our position in the world has changed since the war ended.

The fact is that we, as a people, never fully understood what the war was about. It took us some time to realize that Nazi Germany and its Axis satellites had deliberately set out to conquer the world. Then we thought for a time that Hitler's design of conquest could be frustrated without our armed intervention. When Japan entered the arena on the side of Germany and attacked us, we had—I think—almost reached the conclusion that our first premise had been wrong and that we would have to fight to prevent an Axis victory. Be that as it may, once we were booted into the war, we understood very clearly that we were up to our necks in a war of survival. We fought that war determinedly and well. But we never fully understood that we were also up to our necks in a world-wide revolution—not a revolution with any particular ideological label—but a revolution of peoples throughout the world against various forms of exploitation and oppression.

War's Objectives

This revolution, or civil war, was hard to see clearly because it crossed all national frontiers and took different forms in different countries. It was hard to understand, because it became hopelessly entangled with the war of survival. Moreover, the war of survival made strange bedfellows, ranging dictatorships

(Continued on page 1686)

*An address by Mr. Warburg before the College Conference of the Foreign Policy Association, New York City, March 22, 1947.

Public Utility Securities

New England Gas & Electric

New England Gas & Electric Association, which last summer failed to consummate its recapitalization and integration plan, expects to effect the necessary financing next week to complete the "alternate" plan approved by the SEC and the Federal District Court. All present parent company securities will be replaced by new issues—$22,425,000 20-year Collateral Trust Sinking Fund bonds, 77,625 Cumulative Convertible Preferred shares of beneficial interest ($100 par); and 1,246,011 shares of new Common (par value $8).

The bonds will be offered by competitive bidding on March 31 with probable retail offering (subject to the usual SEC clearance) April 2. Offering of the preferred, plus any unsubscribed balance of common shares, will be made at about the same time by a group headed by First Boston Corp. (this part of the financing is on a semi-negotiated basis, First Boston having been one of several competitive bidders last summer).

The old $5.50 Preferred will receive eight shares of new common and will in addition receive transferable rights to subscribe for five additional common shares at $9 per share. If some of this stock is not subscribed for, holders of the preferred will enjoy the additional right (non-transferable) to buy 20 shares of additional stock at $9 (subject to allocation). The new preferred will be convertible into seven shares of new common.

The "red herring" prospectus (which is subject to change) presents voluminous pro forma earnings statements on several bases (consolidated figures with and without the Maine and New Hampshire subsidiaries, and parent association figures with and without). In 1946, on the pro forma basis as reflected in these preliminary statements, coverage of total system charges works out at about 2.87 times and over-all coverage of charges and preferred divident requirements at 2.18 (The prospectus gives the ratios on a different basis, "times parent company fixed charges earned 3.94," and "times new preferred dividends earned before sinking fund requirements 5.88"). Earnings of the common shares are stated in a variety of ways, as follows:

	Before S. F. Requirement	After S.F. Requirement
Consolidated, including Maine and N. H. subsidiaries	$1.37	$1.19
Consolidated, excluding Maine and N. H. subsidiaries	1.26	1.10
Association, including Maine and N. H. subsidiaries	1.18	1.00
Association, excluding Maine and N. H. subsidiaries	1.12	.96

The prospectus indicates an intention to inaugurate dividends on the common shares at the annual rate of 80¢—a payout of 59% to 84%, depending on the share earnings figure used.

New England Gas & Electric (organized as a New England trust) controls a large number of small to medium-sized subsidiaries serving electricity and gas to certain areas in Massachusetts, Maine and New Hampshire. The business outside Massachusetts is not especially important, and to meet SEC objections it is possible that at some later date the stock of New Hampshire Gas & Electric and one or two other small subsidiaries may be disposed of by sale or distribution.

About 65% of system revenues are electric, 33% gas, and 2% steam heating. The total population served with electricity (scattered through some 73 communities) is estimated at 377,414. The system generates about four-fifths of its power requirements, and manufactures most of the water gas distributed to customers. Residential rates average about 4½¢ per kwh, and annual usage about 950 kwh. Plant account is carried at original cost, and depreciation reserve is about 31% of plant account—an unusually high ratio. In 1946 the system earned about 6½% on net plant account (plus allowance for working capital), it is estimated.

State Legislation on World Bank Securities Making Good Progress

WASHINGTON (Special to the "Chronicle") — World Bank officials feel that with recent legislation in several States the first obligations of the Bank will be assured of a fairly decent market among institutional investors. The expected success of the first flotations will stimulate action by other State Legislatures whose cooperation is desired.

This month the New York State Legislature completed action on the bill authorizing insurance companies to invest in direct and guaranteed obligations of the World Bank. It is now before Governor Dewey awaiting his signature. A similar bill became law in Maryland on March 15.

During the same week New Hampshire passed a law making World Bank obligations eligible for investment by savings banks. New Hampshire has no corresponding law covering insurance companies but there is only one insurance company in that State.

State insurance legislation is still desired by the World Bank in Pennsylvania—where the then American Executive Director of the Bank, Mr. Collado, recently conferred with legislators—and in New Jersey, Massachusetts, California and Washington.

On the whole, officials of the Bank feel that the progress which has been made in getting State legislation has been all that could have been expected, and in some instances, more.

Recently members of the Wisconsin State Banking Commission, whose Chairman has in the past been very critical of the suggestion that State law be amended for the World Bank, were in this city; but they did not call on the World Bank.

A conspicuous exception to these confirmatory actions is furnished by the Ohio legislature, which by an overwhelming vote, refused permission to State banks to invest up to 10% of their capital funds in the Institution.

Syria and the Fund

WASHINGTON (Special to the "Chronicle")—Ratification of the Fund and Bank articles of agreement by Syria is expected shortly. There has been a delay, pending reply by the Fund to questions asked by the Syrian Government as to procedural matters, such as where and in whose name to make the required initial payments.

Merrill Lynch Adds

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Donald K. Clinger is now with Merrill Lynch, Pierce, Fenner & Beane, 1003 Walnut Street.

America's Creditor Role

By JOHN ABBINK*
Chairman, National Foreign Trade Council, Inc.

Asserting foreign demand for U. S. funds will strain resources of nation if job is accomplished, Mr. Abbink advocates Government and business cooperate for purpose of clarifying needs and defining procedures. Sees need for more assurance of protection to American property and rights abroad and advocates a return of U. S. to gold coin standard. Says we are in midst of world struggle with Communism.

The proudest boast of the American people at the end of the war was the world ascendancy of the United States. No other country on earth could match our resources and strength; we even possessed alone the secret of the atom bomb. No nation or group of nations, it was widely assumed, would dare challenge our position and power. We were smug and secure in our preeminence, ready to get on with our own work while giving generously, if somewhat grudgingly, of aid to the less fortunate struggling out of the ruins of war. We had assumed broad international political commitments and we felt these should constitute full assurance to the rest of the world of our new interest in what went on outside of our borders, even if we ourselves were not entirely certain of their meaning. We had risen, without awareness, to the role of the world's greatest creditor nation, the implications of which were even less generally understood.

John Abbink

We are now midway in the second year of the post-war era. Reflection brings the realization that it has been a period of bitter and growing disappointment, damaging alike to our smugness and to our sense of security. To the astonishment of many, we discovered that at least one other nation did dare to challenge us politically and economically. From various quarters came attacks upon our system of private competitive enterprise in the form of a multitude of socialistic and nationalistic experiments. Instead of the One World which seemed to some so near reality, we found there were Three Worlds: one represented by our own free economy system; at the other extreme the completely totalitarian Russian regime; and in between, large areas wavering toward one or the other.

Moreover, as a creditor nation our post-war experience was less than encouraging when we looked at the figures showing the many billions of public funds laid out in loans, commitments, gifts and other forms of relief and assist-

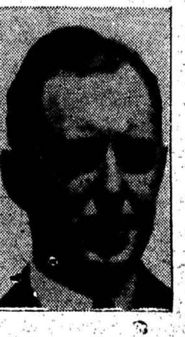
(Continued on page 1690)

*An address by Mr. Abbink before the National Industrial Conference Board, Inc., New York, N. Y., March 20, 1947.

World Bank to Open New York Office April 15

E. Fleetwood Dunstan to Be in Charge

It was announced that E. Fleetwood Dunstan of New York has been appointed Director of Marketing for the International Bank for Reconstruction and Development. It was also announced that the International Bank will open a New York office on April 15, 1947, in the Federal Reserve Bank Building at 33 Liberty Street, and that Mr. Dunstan will be in charge of that office, assuming his duties on that date.



E. F. Dunstan

Mr. John J. McCloy, President of the International Bank, stated that in view of the forthcoming marketing of the bank's debentures, it is necessary to have a New York office to facilitate the work of this important phase of the bank's activities. Mr. Dunstan, as Director of Marketing, will be in contact with investing interests throughout the country and will have charge of arrangements relating to the sale of the bank's debentures.

Mr. Dunstan has been Vice-President in charge of the bond department of the Bankers Trust Company of New York, where he has been associated since 1921. The Bankers Trust Company, early this month, acted as syndicate manager for an issue of $200,000,000 State of Michigan bonds, the largest state or municipal issue ever marketed. Mr. Dunstant directed the operation. He was born in Elizabeth City, North Carolina, on June 25, 1896 and was graduated from Duke University in 1919. In World War I he served in the U. S. Army as first lieutenant.

Mr. Dunstan has been a member of the Board of Governors of the Investment Bankers Association of America and was Chairman of the Municipal Securities Committee of that association. He was Chairman of the New York City draft board No. 48 from 1940 to 1941. In 1943, he served as Assistant Director of the banking and investment division of the New York State War Finance Committee.

Mr. Dunstan is a member of the Municipal Bond Club of New York and was President of that Club from 1936 to 1937, and is a member of the Bond Club of New York.

Richard Ballschmider With White, Weld Co.

(Special to THE FINANCIAL CHRONICLE)

SHEBOYGAN, WIS.—Richard O. Ballschmider has become associated with White, Weld & Co., 231 South La Salle Street, Chicago. Mr. Ballschmider was formerly an officer of Heronymus & Co. and, prior to serving in the U. S. Army, was a partner in the predecessor firm of Heronymus, Ballschmider & Co. In the past he was with Harriman, Ripley & Co. in Chicago.

With Coffin & Burr, Inc.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—William G. Harding has become affiliated with Coffin & Burr, Inc., 60 State Street.

Schram Scores Margin Restrictions

In Annual Report of 1946, President of N. Y. S. E., says Federal Reserve Board's action, in virtually depriving listed securities of their loan value, impaired their marketability and stability. Reports decline in net earnings of Exchange despite income increase in 1946. Lists continued rise in capital investment accounts and an outgo for advertising in 1946 almost double that of previous year.

Emil Schram, President of the New York Stock Exchange, released the text of his Annual Report for the year 1946. The report, in addition to data on financial results of the operation of the Exchange and its affiliated companies, discusses the effects of the Federal Reserve restrictions on margin trading and the relations of the Exchange with the Securities and Exchange Commission.


Emil Schram

Regarding the adverse effect of the margin restrictions on Exchange activities, Mr. Schram stated:

"Although the volume of business in stocks on the Exchange in 1946 was slightly larger than in 1945, there were indications that the qualities of marketability, continuity and stability were further impaired and this served to bring into question the advisability of the Federal Reserve Board's action, in January of last year, in virtually depriving listed securities of their loan value, for all practical market purposes.

"Just why this action was taken has never been satisfactorily explained. The Chairman of the Federal Reserve Board has pointed out that the board's authority is confined to the limited field of listed securities, which is true. But the board was under no compulsion to exercise its powers; and certainly there was no occasion for it to do so since Congress had in mind, in putting credit controls in the hands of the Federal Reserve Board, that the authority was to be used to prevent the diversion of a disproportionate volume of the country's credit resources into the carrying of securities. No such demands had appeared when the board placed the Stock Exchange market—the best regulated in the world—on a cash basis.

"As I have pointed out to Mr. Marriner Eccles, Chairman of the Board of Governors of the Federal Reserve System, the securities registered and listed on national securities exchanges are, by and large, the securities of companies which are outstanding in their respective fields of industry; are securities which have, generally speaking, the greatest intrinsic values and whose prices and markets are publicly known daily, and in connection with which the most data are available as to the companies' financial affairs, upon

(Continued on page 1675)

Acheson Explains Greek Situation

Acting Secretary of State describes crucial needs of Greece. Denies British Government will direct policies of Greek Government while U. S. supplies economic aid, and asserts we have no commitment to assume British obligations. Holds United Nations not in position to furnish aid and there will be no obligation to give similar assistance to other nations if requested.

Acting Secretary of State Dean Acheson appeared on March 24 before the Senate Foreign Relations Committee to testify in support of President Truman's request for an appropriation of $400,000,000 in aid of Greece and Turkey. Mr. Acheson repeated many of the arguments which he made on March 20 to the House Foreign Affairs Committee, and for the better understanding of the situation, furnished the following statement to the Senate Committee:


Dean G. Acheson

On February 24, the British Ambassador, in a note dated February 21, informed the Department of State that as of March 31 the British Government would be obliged to discontinue the financial, economic and advisory assistance which it has been giving to Greece and Turkey. Within a week the President informed Congressional leads of this situation and advised with them on the course of action which the government should take. On March 14, the President informed Congress and the nation of the situation and recommended that this government extend aid to Greece and Turkey.

On March 3 we received from the Greek Government an urgent appeal for financial, economic and expert assistance. Assistance is imperative, the Greek Government says, if Greece is to survive as a free nation.

The Turkish Government has on various occasions applied to the United States for financial aid, but this government has not had the facilities for responding to those requests. Since British aid is not available, the needs of Turkey for assistance are greatly increased.

This then is the situation with which we have to deal. Greece and Turkey are in urgent need of

(Continued on page 1684)

Sen. Johnson Wants Loan to Greece to Be First Mortgage

WASHINGTON — Senator Edwin C. Johnson of California has made the following statement to the "Chronicle":

"I earnestly hope that the United States does not make a political or military loan to Greece Whatever help in the nature of food relief should be on a gift basis. However, if we do make the Greek King a political loan most certainly it should take precedence over British loans heretofore made. In other words if we do make a loan it should be a first mortgage loan."


Sen. E. C. Johnson

Now With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Loren Ligon, Ernest K. Newman and William D. Wright are now with Slayton & Co., Inc., 15 West 10th Street.

Sterling Convertibility In July Anticipated

By HERBERT M. BRATTER

But Britain may seek indirect assistance in freeing blocked sterling balances with her wartime creditors. Portugal only country with currency convertible on multilateral basis. Impasse between Britishers' inability to pay off sterling balances, and unwillingness of their owners to cancel or leave them indefinitely impounded.

WASHINGTON (Special to the "Chronicle") — Despite trial balloons and rumors, attendant upon this winter's economic crisis in the United Kingdom, Washington expects sterling will be made convertible on July 15 as called for by the Anglo-American Loan Agreement. The achievement of understandings with the principal holders of the so-called blocked sterling balances, however, is making almost no progress, to judge by British press reports from India, Egypt and Iraq. It is thought that Britain may seek American diplomatic or other indirect assistance in procuring settlement of the blocked sterling balances with Britain's wartime creditors.


Herbert M. Bratter

Latterly Britain has effected revision of bilateral monetary agreements with certain Western European countries as a step toward general convertibility of sterling. The countries concerned in this have been Belgium, Netherlands and Portugal. Similar arrangements are to be effected soon with other countries.

Heretofore countries which had bilateral monetary agreements with the UK could use their sterling balances only within the sterling area, with some minor exceptions. Now sterling held by the three countries named in effect becomes convertible into any

(Continued on page 1698)

Exchanges and Free Enterprise

By FRANCIS ADAMS TRUSLOW*

President, New York Curb Exchange

Newly elected Curb Exchange executive points out close tie of all exchanges to individual freedom and maintenance of free markets. Warns of decline of freedom in all parts of world and danger that our own freedom "like solid land can be eroded away." Upholds security business as "heart, arteries and veins of an economic system that supports individual freedom."

I deeply appreciate the honor which the Board of Governors of the New York Curb Exchange extended to me last December and the warm welcome the members have given me tonight. The responsibility of the office which has passed from Mr. Posner to me is expressed with comprehensive simplicity in the Constitution of the Exchange which merely says that "The President shall have the care of all the interests of the Exchange."


Francis A. Truslow

Many years and the work of many men have been devoted to the creation of those interests which I have been asked to care for. No one could list the names of all those who contributed to the long development of the Curb and helped place it in the high position it holds today; but some of them are here tonight. Outstanding on that list would be the members of the Exchange who have given time from their own affairs to serve as your presidents—John McCormack; Edward McCormick; John Curtis; David Page; William Muller; Howard Sykes; Burd Grubb; Fred Moffatt; Clarence Bettman; Edwin Posner and Edward Werle.

Also high on that list are the employees of the Exchange who have given to it a degree of service far beyond the call of employ-

(Continued on page 1687)

*An address by Mr. Truslow at a dinner given by members of the New York Curb Exchange, New York City, March 20, 1947.

Fred Fairman Wire to Francis I. du Pont Co.

CHICAGO, ILL.—Fred W. Fairman & Co., 208 South La Salle Street, members of the Chicago Stock Exchange, announce the installation of a direct private wire to their New correspondent, Francis I. du Pont & Co., members of the New York Stock Exchange.

Jones to Manage Dept. Of Sheridan, Bogan

PHILADELPHIA, PA.—Sheridan, Bogan & Co., 1616 Walnut Street, members of the Philadelphia Stock Exchange, announce the association with them of William W. Jones as manager of their Municipal Bond Department and of James F. Elliott and Prentiss DeV. Ross as members of their sales organization.

With Paine, Webber Staff

(Special to The Financial Chronicle)

BOSTON, MASS.—Albert Pratt has been added to the staff of Paine, Webber, Jackson & Curtis, 24 Federal Street, members of the New York Stock Exchange and other leading Exchanges.

Joins Mann & Gould

(Special to The Financial Chronicle)

SALEM, MASS.—William A. Johnson has become connected with Mann & Gould, 70 Washington Street, members of the Boston Stock Exchange.

Noyes Favors Construction of New Commercial Buildings

Prominent Realtor says such structures are now and will continue in demand for many years.

Not all the real estate experts agree that the needs of the market require the construction of any significant number of new commercial buildings of immense size, either at this time or at any time within the foreseeable future. There is a difference of opinion on the matter and very likely a healthy one.

Just a few weeks ago the views of Lee Thompson Smith, President of the Lawyers Title Corp., on the issue, given wide publicity, aroused considerable interest in the question, it is understood. It was his position that the erection of office building space in Manhattan, if continued at its present pace, could result only in a glut of business quarters. As a warning to builders and investors, he pointed out that since 1925 more than $80,000,000 in taxes has been paid by 330 of these commercial properties on vacant office space. He did indicate, however, that since 1943 surplus space has been practically non-existent in these same buildings. The thoughts expressed by Mr. Smith are probably typical of the views shared by those who feel that great caution should be exercised in arriving at decisions to put up new structures of this type.

Charles F. Noyes

However, Charles F. Noyes, whose company operates over 600 buildings with 6,000 tenants, feels very differently about it. As Mr. Noyes himself states the proposition—and here we are practically quoting the very words of Mr. Noyes—he disagrees with those who feel it would be a mistake to erect new buildings because definitely there is a demand and will be a demand for years to come for desirable space in desirable neighborhoods.

It is just possible that the advocates of caution and Mr. Noyes differ so widely in their views because they may be talking about different things. The caution boys are undoubtedly thinking about the whole market whereas Mr. Noyes seems to be thinking mostly about properties in desirable neighborhoods. Mr. Noyes thus seems to be interested chiefly in improving the tone of real estate properties because, as he makes very clear, he is convinced there is a tremendous demand for that

(Continued under "Real Estate Securities," page 1658)

Earnings Prospects of N. Y. City Banks

By MORRIS A. SCHAPIRO*

President, M. A. Schapiro & Co., Inc., New York City

Bank stock specialist, after reviewing 1946 earnings of New York banks, predicts decline in earnings of 14% for current year. Holds banks will require higher rates on loans to offset mounting operating costs and taxes, and ascribes present low rates on commercial loans to Treasury's interest rate pattern. Warns government banking and fiscal agencies not to restrict sound functioning of commercial banking and urges banks increase efficiency and economy.

Investing institutions throughout the country are always interested in the earning prospects of New York City banks. There is no greater concentration of bank stock ownership than is found in New England among its mutual savings banks, insurance companies, endowment and other funds.

We shall try to outline in a general way the pattern of current earnings and consider the present investment position of the New York City bank stocks, identifying certain elements not now in full view, but which appear likely to gain in importance and affect the future value of these securities.

*An address by Mr. Schapiro before the Savings Banks' Association of Connecticut, New Haven, Conn., March 20, 1947.

New York City Has 27% Nation's Bank Capital

The 37 member banks on Manhattan Island have total resources of $27 billion. All other Federal Reserve member banks in the United States, 6,863 in number, have combined assets of $100 billion. The 37 banks have total capital accounts of $2.2 billion. The 6,863 banks have $5.9 billion. Banking capital in New York City represents over 27% of the $8.1 billion total for all member banks in the United States.

Ownership of the 37 New York City banks is represented by over 35 million shares of capital stock. These shares are widely held by hundreds of thousands of investors. Using current bank stock quotations, this property standing

(Continued on page 1689)

NSTA Notes

CLEVELAND SECURITY TRADERS ASSOCIATION

Executives from many corporations and banking institutions in Cleveland and Northern Ohio will be present when the 11th annual dinner of the Cleveland Security Traders Association is held in the Mid-Day Club March 28.

Heading the list of speakers will be Dr. Neil H. Jacoby, Vice-President and professor of finance at the University of Chicago and perhaps better known for his participation in the university's Round Table of the Air radio program. His subject is: "Economic Problems and Prospects for 1947."

Jay L. Quigley of Quigley & Co., President of the Association, said guests representing the National Security Traders Association and presidents of affiliated chapters are expected to attend the dinner.

Guests to attend include R. Victor Mosley, Stroud & Co., Inc., Philadelphia, President of the National Security Traders Association; Paul Yarrow, Clement, Curtis & Co., Chicago, First Vice-President; Paul I. Moreland, Moreland & Co., Detroit, Second Vice-President; and Edward H. Welch, Sincere & Co., Chicago, Secretary. Representing their respective affiliated groups will be Michael J. Heaney, McManus & Co., President of the Security Traders Association of New York; Lawrence N. Marr, E. H. Rollins & Sons, Inc., President of the Bond Traders Club of Chicago; Harold R. Chapel, McDonald-Moore & Co., President of the Security Traders Association of Detroit and Michigan; Franklin O. Loveland, Jr., Field, Richards & Co., President of the Cincinnati Stock and Bond Club, and, from Canada, C. W. McBride, Midland Securities, Limited, President of the Toronto Bond Traders Association.

NSTA PUBLICITY COMMITTEE

T. G. Horsfield, Wm. J. Mericka & Co., New York City, Chairman of the Publicity Committee for National Security Traders Association announces the following members:

John L. Shea, Jr., Shea & Co., Boston
Donald A. Meyer, Foster & Marshall, Seattle.
Clair S. Hall, Clair S. Hall & Co., Cincinnati.
Howard C. Morton, McMaster Hutchinson & Co., Chicago.
Mel M. Taylor, Semple, Jacobs & Co., St. Louis.
Thomas J. Euper, Cruttenden & Co., Los Angeles.
Alfred F. Tisch, Fitzgerald & Co., New York.

SECURITY TRADERS ASSOCIATION OF NEW YORK

The Security Traders Association of New York, Inc., announces the following elections to Membership:

Alfred W. Busby, Van Tuyl & Abbe.
Thomas A. D. Canova, Schroeder, Rockefeller & Co., Inc.
William L. Fleckner, Merrill Lynch, Pierce, Fenner & Beane.
Thomas P. Gill, Gill & Company.
Walter L. Heckroth, Burr & Co., Inc.
Almon L. Hutchinson, Buckley Brothers.
Joseph A. Mitchell, Homer O'Connell & Co., Inc.
Giles Montanye, Cowen & Co.
William R. Mulholland, McLaughlin, Reuss & Co.
Barney Nieman, Carl Marks & Co., Inc.
Zoltan Salkay, Gearhart & Co., Inc.
Edward V. Stryker, Moore, Leonard & Lynch.
William J. Swords, Newburger & Hano.
Lamar K. Tuzo, Union Securities Corp.
Francis H. Welch, R. S. Dickson & Co.

Kobbe & Co. Opening Dept. Under Doehling

To render greater service as brokers and dealers in investment securities for banks and insurance companies, Kobbe & Co., Inc., 55 Liberty Street, New York City, announces that on April 1, 1947 it is opening a Municipal Bond Department under the management of John P. Doehling. Mr. Doehling has been in the "Street" for 25 years and was recently with Gordon Graves & Co.

With Bear Stearns & Co.

(Special to The Financial Chronicle)

CHICAGO, ILL. — Robert F. Shields has been added to the staff of Bear, Stearns & Co., 135 South La Salle Street.

Robt. A. Morse Is With J. G. White Co.

J. G. White & Company, Incorporated, 37 Wall Street, New York City, announces that Robert A. Morse, formerly with Harvey Fisk & Sons, Inc., has become associated with the firm in the Municipal Department.

With Edgerton, Wykoff

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—Y. Clifford Tanaka has joined the staff of Edgerton, Wykoff & Co., 618 South Spring Street, members of the Los Angeles Stock Exchange.

Dealer-Broker Investment Recommendations and Literature

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

Airline Prospects — Study — Eisle & King, Libaire, Stout & Co., 50 Broadway, New York 6, N. Y.

Current Textile Situation—Discussion—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y. Also available is a study of **Copper Stocks.**

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.

Gold Mining Stocks—Study of situation — J. Barth & Co., 482 California Street, San Francisco 4, Calif.

Good Business and Earnings During 1947 and 1948 — List of stocks which the firm feels should prove interesting—Otto Fuerst & Co., 57 William Street, New York 5, N. Y.

Investment Banking as a Career — Brochure — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Over-the Counter Bulletin — Containing market forecast and analysis and data on **Rockwell Manufacturing Co., Harshaw Chemical Co., Polaroid Corporation, Republic Natural Gas Co., Firemen's Insurance Co. of Newark, Delaware Power & Light Co., Baltimore & Ohio, Bird & Son, Buda Company, Grinnell Corporation, Plomb Tool Corporation, Detroit Harvester Corporation, Central Arizona Light & Power, North River Insurance Company, Amalgamated Sugar Co.,** etc.—J. Arthur Warner & Co. 120 Broadway, New York 5, N. Y.

Public Utility Common Stocks—Brochure containing brief sketches of 10 stocks set up in "package" form—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y. Issues discussed are **Arkansas-Missouri Power, Black Hills Power & Light, Central Illinois Electric & Gas, Central Maine Power, Iowa Southern Utilities, Lake Superior District Power, Puget Sound Power & Light, Virginia Electric & Power, West Virginia Water Service,** and **Western Light & Telephone.**

Also available is the current issue of the **Republic Utility Stock Guide** containing quotations on public utility preferred and common stocks.

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

"Safeguarding Your Savings"—A primer of investment information issued by the New York Better Business Bureau, which is being distributed by Ford R. Weber & Co., Spitzer Building, Toledo, Ohio in celebration of the firm's 15th Anniversary in the investment business.

Seven Public Utility Operating Company stocks recommended for investment—Otis & Co., Terminal Tower, Cleveland 13, Ohio.

"Special Situation" in Insurance Stocks—Reprints of Address of George Geyer of Geyer & Co., Inc. to members and guests of Boston Securities Traders Association—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

State of California—A study—Heller, Bruce & Co., Mills Tower San Francisco 4, Calif.

Aerovox—New circular—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Air Reduction Company, Inc.—Memorandum on possibilities — A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

American Box Board Co.—Circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

American Crystal Sugar Co.—Supplement to study of the **Amalgamated Sugar Company** which contains basic industry data in detail—Kaiser & Co., Russ Building, San Francisco 4, Calif.

American Water Works & Electric Co. — Study — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Aanconda Copper Mining Company—Memorandum—Newburger & Hano, 61 Broadway, New York 6, N. Y.

Also available is a memorandum on **Pioneer Suspender Company.**

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; Barcala Mfg.**

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 $6 Preferred**—Detailed Review and discussion of nature and current operations of the various subsidiaries making up the system, in the March issue of the **"Investment Barometer"**—Fred. W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Cities Service Company — Detailed discussion of situation — Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Consolidated Dearborn Corp.—Circular — Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available is a circular on **Foundation Company.**

L. A. Darling Co.—Descriptive brochure and annual report—Moreland & Co., Penobscot Building, Detroit 26, Mich.

Fairbanks, Morse — Study of common stock which the firm feels offers excellent prospects—Estabrook & Co., 15 State Street, Boston 1, Mass. and 40 Wall Street, New York 5, N. Y.

Finch Telecommunications, National Paper & Type, and Polaroid Corp.—Special reports available to banks, brokers and dealers—Ask for memo SR 14—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

General Portland Cement Company—Interesting report—Greenfield, Lax & Co., Inc., 40 Exchange Place, New York 5, N. Y.

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.**

Illinois Central Railroad—Discussion of appreciation potentialities—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Industrial Brownhoist—Annual statement—Gottron-Russell & Co., Union Commerce Building, Cleveland 14, Ohio.

Kingwood Oil Co.—Analysis—Peter Morgan & Co., 31 Nassau Street, New York 5, N. Y.

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

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

Phillips Screw Company — Memorandum—Bruce C. Hoblitzell & Co., 25 Broad Street, New York 4, 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.—Up-to-date 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.

Standard Oil (New Jersey) — Discussion of interesting prospects —E. F. Hutton & Company, 61 Broadway, New York 6, N. Y.

Sterling Motor Truck Co. — Analysis—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

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

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

Also available are memoranda on **Gruen Watch Co.** and **International Detrola Corp.**

U. S. Industrial Chemicals, Inc. (formerly U. S. Industrial Alcohol Co.)—Study tracing company's progress—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

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.

Worumbo Manufacturing Co. — Circular — B. S. Lichtenstein & Co. 99 Wall Street, New York 5, N. Y.

Ohio Brevities

A total of $2,011,000 of Mansfield, Ohio, school district bonds were awarded to a syndicate headed by Northern Trust Co. of Chicago. The winning bid was 100.68 for the issue as 1¾s.

The bonds, which mature from April 1, 1948, to Oct. 1, 1967, were reoffered at prices to yield from 1.70% for the shorter maturities to 1.85% for the longer term bonds.

Cleveland houses in the group were McDonald & Co., Field, Richards & Co. and First Cleveland Corp. Proceeds will be used for additions and improvements in the school system.

* * *

Hawley, Shepard & Co. of Cleveland will be among the houses associated with Eberstadt & Co. which will soon offer 100,000 shares of $50 par 4¾% preferred and 250,000 shares of common of Harry Ferguson Inc., tractor makers, now locating in Cleveland. The offering is expected in the next few days or the first part of April. The common will be priced at 13½ and the preferred at $50.

* * *

Hayden, Miller & Co. participated in the Harris, Hall & Co. group offering of $1,800,000 of 1½% serial equipment trust certificates of Chesapeake & Ohio Railway. The certificates were awarded on a bid of 99.273.

* * *

An investment group headed by Fahey, Clark & Co. was high bidder for $916,000 South Euclid-Lyndhurst School District, Ohio, bonds with a bid of 101.324 for 2¾s. Other Cleveland firms included Ball, Burge & Kraus, Ginther & Co., and First Cleveland Corp.

* * *

Otis & Co., Stranahan, Harris & Co. and Ryan, Sutherland & Co. were awarded $600,000 unlimited tax building and equipment bonds of the Shelby, Ohio, School District with a bid of 101.68 for 1¾s. Bonds were offered at prices to yield from 0.70 to 1.70%.

* * *

Gabriel Co. directors voted to reduce the board of directors from seven to six members and John Batterman was dropped. He is a former Chairman and President of the company but has not been active recently.

* * *

John C. Virden, Chairman of John C. Virden Co., Cleveland lighting fixture manufacturers, and Martin P. Winther are new directors of Eaton Manufacturing Co., following shareholder approval to increase the board from 13 to 15 members. Winther is President and General Manager of Dynamatic Corp., Kenosha, Wis., Eaton subsidiary.

Cleveland Exchange Appoints Committees

CLEVELAND, OHIO—William J. Perry, Secretary of the Cleveland Stock Exchange, announced membership on the exchange's 1947 standing committees after market governors approved appointments made by the new president, Richard A. Gottron of Gottron, Russell & Co.

W. Yost Fulton of Maynard H. Murch & Co. was named Chairman of the executive advisory group with the following members: Leslie J. Fahey of Fahey, Clark & Co., John S. Fleek of Hayden, Miller & Co., C. B. McDonald of McDonald & Co. and Charles B. Merrill of Merrill, Turben & Co.

The listing committee is headed by Alvin J. Stiver of Saunders, Stiver & Co. and assisted by Guy W. Prosser of Merrill Lynch, Pierce, Fenner & Beane, David G. Skall, of Skall, Joseph & Miller, W. E. Beadling of Beadling & Co., Frank C. Gee of First Cleveland Corp. and Lloyd Birchard of Prescott & Co.

Clemens E. Gunn of Gunn, Carey & Co., is chairman of the publicity committee and is aided by Norman Cole of Ledogar-Horner & Co., Frank W. Morrow of Morrow & Co. and Mark Daliere of Prescott & Co.

Daniel Baugh III of Gordon Macklin & Co. tops the finance committee composed of George E. Jaffe of W. F. Quinn & Co., and Douglas P. Handyside of H. L. Emerson & Co.

The rules and arbitration group is headed by Arnold R. McClintock of Hornblower & Weeks and includes E. E. Parsons, Jr. of Wm. Mericka & Co., Morton A. Cayne of Cayne, Robbins & Co. and Daniel Baugh III.

George Placky of L. J. Schultz & Co. is Chairman of the arrangements committee and is assisted by Bernard Burlingame of Gottron, Russell & Co. and Leslie B. Schwinn of L. B. Schwinn & Co.

With F. L. Putnam & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, ME.—Laurence H. Mann is now with F. L. Putnam & Co., Inc., 97 Exchange Street.

J. F. Reilly & Holtzman Join Marx & Co.

Marx & Co., 37 Wall Street, New York City, members New York Stock Exchange, announce that John F. Reilly, recently elected a

John F. Reilly

Sydney Holtzman

member of the Exchange and previously President of J. F. Reilly & Co., Inc., will make his office with the firm and that the business of J. F. Reilly & Co., Inc., will be transferred to the Marx organization.

Sydney Holtzman, formerly Vice-President of J. F. Reilly & Co., Inc., also will be associated with Marx & Co. in the firm's Over-the-Counter Trading Department. It is contemplated that through the extra facilities afforded by the consolidation of the two firms, the scope and activities of the Marx Trading Department will be materially increased.

J. F. Reilly & Co., Inc., was founded in 1933 and since that time has grown to be one of the largest over-the-counter and unlisted security firms in the United States.

Marx & Co. also maintains an office in Birmingham, Ala., with direct wire facilities between New York and Birmingham.

Corning Glass Works Stock Placed on Market

Harriman Ripley & Co., Inc. and Lazard Freres & Co. and associates are offering publicly today (Thursday) 50,000 shares of Corning Glass Works cumulative preferred stock, 3½% series of 1947, par value $100 a share, at $102.50 a share. The company will use proceeds from the sale of preferred for enlargement and improvement of existing and new facilities and equipment, for further advances to and investments in subsidiaries and affiliates, and other corporate purposes.

The new preferred will have an annual retirement fund amounting to 2% of the total number of shares theretofore issued on or before June 1 of each year commencing with 1950, out of consolidated net income after payment of preferred dividends. The new preferred may be redeemed as a whole or in part at $105.50 per share on or before April 1, 1952; at $104.50 per share thereafter and on or before April 1, 1955; at $103.50 per share thereafter and on or before April 1, 1957; and at $102.50 per share thereafter. The new preferred stock is also subject to redemption through operation of an annual retirement fund at $104.00 per share on or before April 1, 1952; at $103.50 per share thereafter and or before April 1, 1955; at $103 per share thereafter and on or before April 1, 1957; and at $102.50 per share thereafter.

Corning is a large producer of glass bulbs and tubing for incandescent and fluorescent lamps and for electronic tubes for radio, radar and television. Other products include the Pyrex line of ovenware and top-of-stove ware.

Sees Interest Rate Prevented from Performing Economic Functions

Committee on Public Debt Policy warns Government against sacrificing country's incentive to save to expediency of budget. Finds low rates drastically increase life insurance cost, reduce yields on savings, and impair endowments and pensions.

Asserting that Government control over interest rates should recognize interest not only as a cost to our society, but also as an important part of its income, the Committee on Public Debt Policy in a study made public currently recommended adoption of a rate policy flexible enough to allow credit policies designed to curb inflation and to resist deflation. The study, undertaken by the Committee's director of research, Dr. James J. O'Leary, was reviewed at its various stages by the Committee and appears with the members' approval.

J. J. O'Leary

While the Treasury and Federal Reserve authorities should continue to influence interest rates in the future, the Committee declares, control over rates ought not to be rigid, as it was during the war, but adjustable to the changing conditions in our peacetime economy. If the Government uses its control simply to hold down the service charge on the debt and ignores other aspects of interest rates, according to the study, it will "sacrifice to expediency of the budget an important part of an American's incentive to save, with results that may be long delayed but extremely dangerous when they catch up with us."

On the income aspect of interest rates, the Committee says: "Americans have always provided for 'rainy-day' needs through their own savings. If this healthy custom is to be preserved and the Government is not to take over completely the provision against all the hazards of life—or attempt to do so—then it is essential that savers receive a fair reward. This is a 'human right' needing as much consideration as the benefits to the borrower of money."

Impact on Savings

"Closely allied with this problem is the danger that an arbitrary policy of driving interest rates lower will place in jeopardy the effectiveness of the American institutions such as life insurance companies, saving banks, pension funds, research funds are religious and charitable institutions. All of these have provided valuable services in our society, and interest-

(Continued on page 1677)

"Truman's Foot in Bog," Says Foreign Observer

Revelation of his "Doctrine" constitutes open invitation for worldwide anti-Communist subsidies.

WASHINGTON, March 26 (Special to the "Chronicle")—An experienced foreign student of world affairs, who is now in Washington, expressed to the writer the view that President Truman, in enunciating so bluntly his doctrine to Congress and the world, set his foot in a bog, that observer considers that Truman was ill-advised to lay open his purpose so irretrievably. International relations are not best conducted, states the observer, by exposing one's whole hand and the way this doctrine was phrased was an open invitation to almost any country to come in for its share. Already, continued the observer, Poland, Yugoslavia and Romania have indicated that they will demand American help to fight Communism; and the people in the Chinese Government are jubilant over the change in their prospects. All that remains is for Molotov to get some Russians in Moscow to agree to ask Washington for a few billions to fight Communism. The observer continued, adding that when General Marshall left China to stew in its own juice, he did so following a study which convinced him that Moscow had been playing no role of conference among China's Communists. But now Chiang Kai-Shek has only to advise Washington that his fight is against Moscow to obtain vast American assistance.

Thus says the foreign observer, Truman has put a millstone about the neck of the United States. The monetary cost certainly will be more inflation in the United States. The political and military cost no one can forsee.

Eady May Come to Washington

WASHINGTON (Special to the "Chronicle")—There is a report to the effect that Sir Wilfrid Eady may shortly visit Washington. Sir Wilfrid has headed the official British conversations with Indian, Egyptian and Iraqian governments relative to blocked sterling balances. Since little if any headway was made by Sir Wilfrid, according to the British press, in obtaining the creditors' agreement to an early settlement of the blocked balances satisfactory to London and in keeping with the suggestions embodied in the Anglo-American financial agreement, it is conjectured that the British Government considers it desirable to keep the American Government fully informed as to the results of the recent conversations in the Middle East, perhaps with a view to enlisting Washington's good offices in the matter.

The terms of the American loan of last year to Britain call for the removal of restrictions on current foreign-exchange transactions by July 15, 1947, that being the anniversary of the loan's coming into effect. There is no similar deadline for the arrival of a settlement between Britain and its creditors on the matter of the blocked-sterling balances, although the loan agreement specifically expressed the intention of the British Government to make arrangements "for an early settlement" of the past accumulations of sterling balances.

A suggestion that Sir Wilfrid's trip to India was not completely fruitless appears in the British press reports to the effect that the Indians gave their "word of honor" not to draw unduly upon London's balances until the question has been resolved. The Indian Government's decision to suspend the granting of private licenses for gold and silver imports is in London regarded as an implementation of that promise.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A somewhat larger supply of funds, despite income tax payments and debt redemption, coupled with a good demand for the restricted obligations from non-bank investors, has kept the government market buoyant with a tendency for specific issues to move slightly above recent tops. . . . Dealers' inventories are not large and although the supply of securities in the hands of other investors appears to be somewhat limited, no upsurge in prices is anticipated. . . . On the other hand, no sharp weakness is looked for, because the demand for obligations from investors is still substantial. . . .

Non-bank investors are letting out enough eligibles to keep these issues stable, while other investors and corporations are disposing of the restricted securities in such amounts that should keep these bonds from going to levels that would cause criticism from the powers that be. . . .

As a result of the favorable demand and supply situation in the market, which means a good technical position, a firm to slightly better tone is looked for in prices of Treasury securities. . . .

RESTRICTEDS POPULAR

Considerably more attention is being given now to the restricted issues, much more so than at times in the past, because of the opinions that present outstanding obligations are not likely to be added to for a long time, if at all. . . . This has improved greatly the position of these bonds in the minds of many non-bank investors. . . .

In order to maintain adequate controls over credit, it seems as though the money managers have adopted a dynamic flexible policy of debt management, so that they will be able to cope with changing conditions. . . .

In other words, the program to combat inflationary or deflationary forces will be dictated by the conditions as they currently exist, and not by the conditions or methods used in the past, which might not be applicable or suitable to present day developments. . . .

At the present time the monetary authorities are confronted with the problem of preventing inflationary forces from gaining too much headway, with particular emphasis on the trend of commodity prices and loans. . . . Probably the key to the entire credit picture will be the movement of commodity prices, because on them will depend to a major extent the maladjustments that may develop in the economic system. . . . If there is to be a continued upward trend in commodity prices, to be followed by higher wages, and this is most likely to happen because of the strength of labor, then the much talked about "boom and bust" will rapidly become a reality. . . .

PROBABLE MARKET EFFECT

This would be the most adverse development to hit the money markets, because the credit measures that would have to be adopted under these conditions, would most certainly result in the greatest disturbance to prices of government securities. . . . It is very likely that short-term rates would be defrosted, while at the same time the increased offering of long-term securities would bring down prices of long-term Treasuries. . . .

It seems as though the only course open to the money managers to combat inflationary developments is continued bank debt retirement to cut down bank deposits. . . . This can be done in either of two ways: (a) Retirement by surplus Treasury funds, (b) redemption through refunding. . . . If possible, this will be done in such a manner as to keep prices of government securities stable. . . .

In other words as long as the inflationary trend is not out of control, and government surpluses are sufficient to carry out the amount of debt retirement that the authorities believe to be necessary in order to reduce bank deposits, then there will be no new offerings of long-term securities to non-bank investors. . . .

REFUNDING PROBLEM

As long as there are no issues of long bonds to non-bank investors, in order to raise funds that would be used to retire bank-held debt, then the government bond market should continue to be stable. . . . Redemption of government securities through refunding operations would adversely affect outstanding obligations, provided, of course, they are the same as the outstanding securities. . . .

Before these debt refundings would take place, which would be brought about by the sale of new securities to non-bank investors, some agreement would have to be worked out concerning the retention of bank-elegible obligations by the non-deposit institutions. . . .

A balanced budget with a moderate surplus of funds along with those available from government trust funds, should be sufficient to cut down enough bank-held securities and bank deposits to keep the inflationary forces pretty well in check, provided there is no runaway in commodity prices and wages. . . . This is what money market followers expect will take place. . . .

DECISION SOON

Insofar as it is possible, the future credit policy of the money managers will be carried out in such a manner as to keep interest cost low, because of the tremendous size of the debt. . . . However, there are no doubt limits beyond which the powers that be will not go with reference to low interest rates, and the effect they may have on the economy. . . . It seems as though when the choice has to be made (and it may have to be made sometime soon) between breaking the inflationary forces and keeping interest rates low, there appears to be little doubt that the inflation will be broken irrespective of what might happen temporarily to the level of interest rates. . . .

POLITICS AND BANK LOANS

This brings up the question as to what can be done to limit the rise in commodity prices by the monetary authorities, aside from decreasing the supply of inflationary bank deposits. . . . The answer here seems to be much more political than financial. . . .

As far as bank loans are concerned, (another signpost that must be watched carefully in the credit picture), a continuation of the recent trend may lead to some action by the powers that be. . . . Despite the substantial upward trend that has taken place in business loans, it must be remembered that a very great part of these advances are term loans to large borrowers for capital goods purposes. . . .

Changes in money rates or pressure to force liquidation of bank loans would have practically no effect on term loans or large borrowers. . . . The small concern would be the real sufferer from a loan liquidating program, which would not be what the money managers would want to have happen. . . .

However, it should be kept in mind that if the high prices should result in larger and continued use of bank credit for inventory loans, there will most likely be action by the authorities to break this trend.

Business Man's Bookshelf

Postwar International Lending—Miroslav A. Kriz—International Finance Section Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—paper.

Real Estate Securities

NOYES FAVORS CONSTRUCTION OF NEW COMMERCIAL BUILDINGS

(Continued from page 1654)

type of space. He is not unmindful, however, of the effect new buildings, especially if they are large, would have on the entire market. He does admit that if and when the very large buildings proposed for the midtown, Fifth Avenue and Columbus Circle neighborhoods, for instance, are completed, they will relieve the pressure somewhat for office space throughout the entire city. He does not say, however, that he sees any glutting in all this.

At the present time, he says, many tenants have been forced on account of scarcity of space to take additional space for their needs in inferior loft buildings or semi-office buildings or obsolete office buildings, some of which are on plots which should be improved but which are now rented to capacity due to the unusual demand conditions now prevailing. Demand for space, in fact, Mr. Noyes points out, is firm and strong now in all types of property and in all neighborhoods of New York. Desirable factory and industrial properties are also difficult to obtain, he declares. There has been little construction since 1932, he reminds us, and with the natural increase in business, irrespective of the impetus due to the stoppage of the war, desirable space is almost unavailable. His company, he reveals, must go outside of the better neighborhoods in the financial, 42nd Street and Columbus Circle districts to satisfy the demands of their tenants who need space for expansion.

Existing office, loft or commercial buildings, well located and well rented, are good investments, Mr. Noyes believes, because in many cases such buildings can be purchased for much less than cost of reproduction and often are in preferred locations which cannot be duplicated in their respective neighborhoods. He also points out that many of these buildings cannot be reproduced at any price due to zoning regulations and conditions that have been brought about through the new building codes which have been enacted from time to time but which in their force are not retroactive in connection with existing buildings.

Noyes urges that investments, however, should be made only through experts who understand the trend of values and particularly those who can expertly advise regarding the adequacy or correctness of the rentals being paid in buildings and also who carefully can analyze the present cost of operation and future operating charges. Costs of operation have gone up drastically in connection with all types of buildings during the past few years and this is particularly true as regards the labor item, he says.

One reason why in many cases values have been held down in connection with well located real estate, Mr. Noyes says, is that rent control has arbitrarily set rentals at the low figures which existed several years ago when all business was scraping bottom and when real estate was just recovering from absurdly low prices due to the debacle of 1932 to 1940, a period when under the pressure of various State departments such as the Banking Department and the Insurance Department our large financial institutions were forcing their property on an unwilling market for sale so as to eliminate ownership of real estate as an asset.

Nathan Will Debate Wage Proposals

"Further Wage Increases—Will They Advance or Retard National Prosperity" will be debated at a

George Terborgh

Robert R. Nathan

supper-forum of the Associate Members of the New School, 63 West 12th Street, on Tuesday, April 1, at 8:30 p.m.

Speakers include: Robert R. Nathan, formerly Deputy Director, OWMR; author of "A National Wage Policy for 1947." George Terborgh, Research Director, Machinery and Allied Products Institute, Washington, D. C.; author of the most comprehensive and widely publicized analysis of the Natham Report. Herman W. Steinkraus, President, Bridgeport Brass Company, Chairman, NAM Committee on Labor Negotiations. A. Wilfred May, Executive Editor of the "Commercial and Financial Chronicle," who will also act as Chairman.

Adams Resumes Wall Street Activities

Graham Adams has resumed his Wall Street activities, as a Corporate Financing Consultant and Business Brokerage Specialist, at 40 Wall Street, New York, where he has maintained an office for many years.

Graham Adams

When our country entered World War II, Mr. Adams engaged in the business of building overhead electric travelling cranes for U. S. Navy and Maritime Commission shipyards, and from 1943 to 1947, also served as President and Secretary of National Dehydrators Association at Washington, D. C. and Chicago, Illinois.

Mr. Adams began his Wall Street career in 1914 as Vice-President and Secretary of Railways Development Corporation; Vice-President of Oklahoma Central Railroad and Secretary of Reorganization Committees for Alabama, Tennessee & Northern Railroad; Chicago, Peoria & St. Louis Railroad; Colorado Springs & Cripple Creek District Railroad; Elkin & Alleghany Railroad; Evansville & Terre Haute Railroad; Hawkinsville & Florida Southern Railroad; Kansas City & Memphis Railroad; Northwestern Pennsylvania Railway; O'Gara Coal Co.; Tampa & Jacksonville Railroad and other companies.

During World War I, he was a Production Expert in the Equipment Division of the U. S. Army Signal Corps; Chief Yeoman, U. S. Naval Reserve Force and Manager of the Havana, Cuba, office of Cuban Sugar Syndicate Corporation ($100,000,000 subsidiary of the U. S. Food Administration).

After World War I, Mr. Adams became associated with F. J. Lisman & Co.; later organized the Bond Department of Shonnard & Co. and subsequently supervised the bond portfolios of a group of 13 banks. He was also a Director of Hygrade Food Products Corp.; Checker Cab Manufacturing Corp.; National Rubber Machinery Corp.; Parmelee Transportation Co.; Moto-Meter Gauge & Equipment Corp. (now Electric Auto-Lite Co.) and many other corporations. He was President of Graham Adams & Co., Inc.

Kalb, Voorhis & Co. Will Admit Connell

Kalb, Voorhis & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, will admit John J. Connell to partnership on April 7.

Joins Paine, Webber Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — John E. Murphy has been added to the staff of Paine, Webber, Jackson & Curtis, Penobscot Building.

Export-Import Bank to Explore Further Credits

Martin will head mission visiting Italy and other European points of interest. Senate committee holds hearings on proposed legislation to authorize bank to establish foreign trade insurance division.

WASHINGTON, March 26 (Special to the "Chronicle")—The Export-Import Bank is expected to accede to the Italian Government's request that it send a mission to Italy to lay the groundwork for the $100 million Export-Import credit. Mr. William McChesney Martin is expected to head the mission, which supposedly will also visit other western European countries in which the Bank is interested.

W. McC. Martin, Jr.

One such country is Germany, where the trade financing problem involving the Export-Import Bank is still pending.

It will be recalled that Mr. Martin planned a European trip last year, but postponed it.

The Senate Banking and Currency subcommittee yesterday held hearings at which the views of the Export-Import Bank, the Treasury, State Department and the Commerce Department were presented on the bill of Senators Pepper and Murray (S. 414). This is a bill which would authorize the Export-Import Bank to set up a foreign trade insurance division for the purpose of insuring credit and transfer risks of American exporters. Most of the testimony was in the form of letters to the committee's chairman. The Export-Import Bank disclosed considerable skepticism as to the wisdom of the bill. The Commerce Department took no position, which is surprising in view of the department's long standing advice to inexperienced businessmen to stay out of the export business. The present bill, if enacted would attract small businesses into the export field. In general the hearing was very inconclusive.

La Guardia Opposes Political Aid to Greece

In a talk over Station WJZ of the American Broadcasting Co., former Mayor of New York City and former Director of UNRRA, F. H. LaGuardia, came out against the President's request for an appropriation to prevent the collapse of the Governments of Greece and Turkey. He urged we be very careful not to bypass the UN. In his brief talk on the topic, the former Mayor stated:

F. H. LaGuardia

"The American people will have to make a great decision, and I say the American people, because our President has presented to Congress a most unusual situation, and his message is of transcendent importance. The subject is so new that Congress has no mandate and therefore the American people will have to express their views so clearly as to provide guidance to our representatives in the House and in the Senate.

"The President has asked for a huge appropriation to give aid to the Kingdom of Greece and to Turkey. I want to make it very clear to you, my friends, this is not for food for Greece. I submitted the estimates of the needs of Greece to the UN and our figures are not apart at all. And the President of the United States has asked Congress for $350,000,000 for relief for needy countries, food relief, and I'm quite sure that Congress will grant him the appropriations.

"No, the $400,000,000 cannot be for food, and surely Turkey does'nt need any food. Turkey has exportable surpluses. I know because Turkey was to contribute to UNRRA. It didn't exactly keep its word, because Turkey never does keep her word. If the U. S. gets monkeying around with Turkey, it will rue the day. No, this is to bolster the Government of Turkey and the Government of Greece. This is something that we have to think about.

"The President reported some very serious conditions, but I believe that these conditions should be reported to the UN, and then the United Nations take action. If Russia is misbehaving, Russia must be called to terms. But we shouldn't do it unilaterally. We should do it only through a mandate by UN. No, it's said, we cannot wait. But the Security Council of the UN has jurisdiction, and the Security Council is in session all of the time.

"Then it's said that Russia might veto any plan. Russia could not veto a plan for the simple reason that the Charter of the UN provides that a party to a dispute must abstain from voting. And the UN has taken cognizance of the conditions around the border of Greece for it has appointed a commission of investigation, and we are a part of that commission. And the commission has not reported yet.

"Oh, we must not do anything to weaken the position of our government in foreign affairs, but we should be very careful that we do not bypass the UN, that we do not destroy the UN—the only hope of peace in this world, as we destroyed the League of Nations.

"If the President of the United States wants money to aid any starving people, Congress will give him the money. But the situation that he describes to bolster the army of Greece, and that means, as the President stated, that the Government of Greece is too weak to govern without the army, and that the army, as presently constituted, is too weak to enforce its own government, and therefore we ought to equip, to give material, to give supplies, to give weapons, to give personnel, to the Greek Army to do the policing for the Greek Government. We are to go there to maintain a King on the throne. I know King George. I wouldn't risk the life of a single American doughboy to keep any King on a throne. Yes, we'll do anything, at any cost, to maintain peace in the world. And so, I think we ought to be studying this question and let our U. S. Senators know how we feel about it, and let our Congressmen know. But you know, at this point, they're as much in doubt as we are. They know as little about it as we do, so it requires the very best of thinking."

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

Net premiums written in 1946 by 25 representative stock fire insurance companies aggregated $655,905,000 compared with $509,056,000 in 1945, a gain of $146,849,000, equivalent to 28.8%.

The average increase of the 25 companies was 31.5%. Increases considerably above this average were made by Agricultural, Boston, Fire Association, Firemen's, Franklin, Glens Falls, Great American, Hanover, New Brunswick, Phoenix, Providence Washington and Security. It will be observed in the accompanying Table I that Fire Association reports the greatest increase with 44.7%; three other companies report increases in excess of 40%, viz: Agricultural, Glens Falls and Hanover. Moderate increases, below 20%, are reported by Continental, Fidelity-Phenix, Insurance of North America and New York Fire.

TABLE I

	Net Premium Written (000's omitted) 1945	1946	Percent Increase	Statutory Underwriting Results (000's omitted) 1945	1946
	$	$	%	$	$
Aetna Insurance	36,454	46,369	27.2	— 1,137	— 1,893
Agricultural	9,015	12,808	42.1	— 306	— 1,165
Boston Insurance	7,194	9,837	26.7	— 304	— 800
Continental Insurance	31,836	37,220	16.9	+ 1,612	+ 970
Fidelity Phenix	25,370	30,251	19.2	+ 656	+ 477
Fire Association	11,370	16,451	44.7	— 557	— 1,712
Firemen's (Newark)	20,916	28,446	36.0	— 1,296	— 2,002
Franklin Fire	9,415	12,757	35.5	— 33	— 1,591
Glens Falls	13,243	18,815	42.1	+ 195	— 971
Globe & Republic	4,473	5,544	23.9	— 705	— 465
Great American	21,303	29,204	37.1	— 55	— 1,946
Hanover Fire Insurance	9,773	13,871	41.9	— 479	— 1,408
Hartford Fire	61,267	81,135	32.4	+ 2,494	— 3,149
Home Insurance	74,539	95,039	27.5	+ 2,159	— 4,544
Insurance Co. of No. Amer.	42,736	49,708	16.3	+ 1,114	— 665
National Fire	22,434	28,831	28.5	— 1,365	— 2,906
New Brunswick	2,360	3,190	35.2	— 131	— 485
New York Fire	4,923	5,543	12.6	— 927	— 463
North River	9,083	11,632	28.1	+ 271	— 206
Phoenix Insurance	14,113	19,108	35.4	— 40	— 1,872
Prov. Washington	10,041	13,835	37.8	+ 66	— 807
St. Paul Fire & Marine	21,902	27,714	26.5	+ 896	— 1,046
Security Insurance	7,514	10,318	37.3	— 230	— 1,323
Springfield Fire & Marine	22,377	28,502	27.4	— 1,155	— 1,228
U. S. Fire	15,405	19,777	28.4	— 132	— 448
Totals	509,056	655,905	28.8	+ 611	—31,648

TABLE II

	Statutory Underwriting 1945	1946	Net Earnings Per Share: Prem. Equity 1945	Reserve Increase 1946	Net Underwriting Profit or Loss 1945	1946	Net Inv. Income 1945	1946	Federal Income Tax 1945	1946	Total Net Operating Profits 1945	1946
	$	$	$	$	$	$	$	$	$	$	$	$
Aetna Insurance	—1.52	—2.54	1.62	4.54	0.10	2.00	2.26	2.10	0.02	0.01	2.34	4.09
Agricultural Insurance	—2.55	—9.71	2.60	8.92	0.05	—0.79	4.50	4.72	0.83	*0.10	3.72	4.03
Boston Insurance	—1.01	—2.67	0.92	2.82	—0.09	0.15	3.12	3.10	0.04	0	2.99	3.25
Continental Insurance	0.80	0.48	0.45	1.06	1.25	1.54	2.49	2.58	0.71	0.48	3.03	3.64
Fidelity-Phenix	0.44	0.32	0.50	1.21	0.94	1.53	2.74	2.89	0.53	0.37	3.15	4.05
Fire Association	—2.32	—7.15	1.90	6.29	—0.42	—0.86	3.29	3.70	*0.02	0.02	2.89	2.82
Firemen's (Newark)	—0.69	—1.11	0.34	1.26	—0.35	0.15	0.94	1.00	0.04	*0.10	0.55	1.25
Franklin Fire	—0.06	—2.66	0.46	1.48	0.40	—1.18	1.40	1.49	0.35	*0.10	1.45	0.41
Glens Falls	0.39	—1.94	0.87	3.09	1.26	1.15	1.91	1.59	0.35	*0.03	2.82	2.77
Globe & Republic	—3.53	—2.32	1.74	1.63	—1.79	—0.69	0.98	1.25	0	0	—0.81	0.56
Great American	—0.03	—1.19	0.20	1.39	0.17	0.20	1.26	1.33	0.08	0.01	1.35	1.52
Hanover Fire	—1.19	—3.52	0.61	2.83	—0.58	—0.69	1.61	1.75	0.26	0.07	0.77	0.99
Hartford Fire	2.08	—2.62	1.57	5.60	3.65	2.98	3.73	3.80	1.25	*0.19	6.13	6.97
Home Insurance	0.72	—1.51	0.69	2.04	1.41	0.53	1.48	1.64	0.64	*0.31	2.25	1.86
Insurance Co. of No. Amer.	0.75	—0.44	0.63	1.87	1.38	1.43	3.74	4.08	0.59	0.77	4.53	4.74
National Fire	—2.73	—5.81	1.53	3.82	—1.20	—1.99	2.41	2.60	0	0	1.21	0.61
New Brunswick	—1.31	—1.85	0.80	2.34	—0.51	0.49	1.89	2.03	0.18	*0.07	1.20	2.59
New York Fire	—4.63	—2.31	2.63	1.64	—2.00	—0.67	1.47	1.52	0	0	—0.53	0.85
North River	0.34	—0.26	0.12	0.94	0.46	0.68	1.16	1.25	0.36	0.14	1.26	1.79
Phoenix Insurance	—0.07	—3.12	0.72	2.58	0.65	—0.54	3.41	3.58	0.33	0	3.73	3.04
Prov. Washington	0.22	—2.69	1.12	3.53	1.34	0.84	1.81	1.98	0.49	0.01	1.66	2.81
St. Paul Fire & Marine	1.12	—1.31	0.78	2.23	1.90	0.92	2.97	3.11	0.91	0.10	3.96	3.93
Security Insurance	—0.92	—5.30	0.87	3.53	—0.05	—1.77	1.71	1.62	0.01	0.07	1.65	—0.22
Springfield Fire & Marine	—5.77	—6.14	4.14	10.10	—1.63	3.96	5.78	6.06	0	0.04	4.15	9.98
U. S. Fire	—0.26	—0.90	0.94	3.06	0.68	2.16	2.65	2.85	0.52	0.27	2.81	4.74

*Credit.

(Note: Above per share results are on a parent company basis, and have been computed from figures published in Best's Bulletin Service.)

Due to this large expansion in premium volume, necessitating the setting aside of proportionally large amounts in unearned premium reserves, combined with excessively high fire losses in 1946, statutory underwriting results show from moderate to large losses for the year 1946. Despite these conditions, however, two companies, viz: Continental and Fidelity-Phenix, achieved statutory underwriting profits in 1946, as well as in 1945, as shown in Table I. In 1945, nine companies out of the twenty-five were able to report underwriting profits on a statutory basis.

In Table II, an analysis of earnings per share for the years 1945 and 1946 is shown.

It will be observed that after allowing for recapture of 40% of the increase in unearned premium reserves, a conservative figure, many of the statutory underwriting losses are turned into underwriting profits, and these latter figures represent a truer picture of the current underwriting earnings (or losses) of the companies.

On this basis, only nine of the 25 companies experienced net underwriting losses in 1946, viz: Agricultural, Fire Association, Franklin, Globe & Republic, Hanover, National Fire, New York Fire, Phoenix and Security. Many companies, it will be observed, had greater net underwriting profits in 1946 than in 1945. The figures shown are before Federal income taxes.

Net investment income (before Federal income taxes) was moderately higher for all but four of the companies. Total net operating profits, after Federal income taxes, were better in 1946 than in 1945, for seventeen of the companies, and lower for eight. Only Security of New Haven reports a total net operating loss for the year.

It is of interest to observe how relatively moderate was the impact of Federal income taxes in both 1945 and 1946. The reason for this is that the taxes are levied on "statutory" underwriting results, which in 1946 were mainly losses, while 85% of investment income in the form of dividends is tax exempt. Thus, bond interest and 15% of dividend income constituted the principal income of the companies subject to the tax.

Grinnell Earnings

The Grinnell Corporation has published earnings to its stockholders amounting to $5.68 per share for the 1946 year. It is interesting to note that the company's report states that this is the first time that earnings have ever been published since incorporation in 1892. It is indicative of a new trend in the disclosure of corporate affairs.

Deflation in Britain?

By PAUL EINZIG

Dr. Einzig calls attention to discussion in Britain regarding policies of deflation to eliminate gap between volume of purchasing power and purchasable goods. Analyzes various proposals and concludes Labor Government, despite need of a drastic deflationary policy, will not adopt radical measures because of resulting discontent of working classes.

During recent weeks there has been an increasing amount of talk in London about the need for adopting a policy of deflation in order to eliminate the gap between the volume of purchasing power in the hands of the public and the volume of purchasable goods. Until recently, it was assumed that this gap—the existence of which is due to the prevention of prices from adapting themselves to supply and demand—would then be eliminated through an increase of the output of civilian goods. As a result of the fuel crisis, however, many people have arrived at the conclusion that hopes for such an increase must be abandoned. Consequently, they believe that the scarcity of goods can only be overcome either by allowing prices to rise or by mopping up the surplus purchasing power through deflationary measures.

Dr. Paul Einzig

In some quarters the first of the two alternatives is favored. The government is urged to remove subsidies which cost the taxpayer hundreds of millions of pounds every year. The increase of the cost of living thus achieved would absorb in theory at any rate, the surplus purchasing power of the public, and equilibrium between supply and demand would thus be restored. In practice the increase of the cost of living would be accompanied in existing circumstances by a corresponding increase of wages so that by the time the process is completed the surplus purchasing power would be almost as large as before. The only classes whose purchasing power would suffer a real reduction would be those with fixed incomes who have already suffered grave and unfair disadvantages through the rise in the cost of living since 1939. Moreover, the rise in the cost of living would set into motion the inflationary spiral and would be accompanied by an epidemic of wage disputes, to the detriment of the output.

The alternative solution is deflation. Those who advocate it do not make it plain what kind of deflation they have in mind. They may favor an all around cut of earnings in order to eliminate the surplus purchasing power. If so, they are guilty of wishful thinking. In existing circumstances, any wage cuts are simply a political and economic impossibility. Politically, the working classes hold the power through their majority in the House of Commons. Economically, the acute scarcity of labor rules out

(Continued on page 1698)

World Bank Developments

Staff work on French and Danish loan applications completed. In addition to those on file, further applications from Belgium, Italy, Turkey, and Mexico expected. Polish official awaited.

WASHINGTON (Special to the "Chronicle")—The World Bank's staff work on the application of France for a $500,000,000 loan is completed. A French mission headed by M. Baumgartner, president of Credit National, is awaited by the Bank.

* * *

Staff work on Denmark's application for a $50,000,000 World Bank loan also has been completed. Its purpose is to finance imports of capital equipment and raw material in connection with that Government's modernization program.

* * *

Belgium is expected to apply shortly for a World Bank loan. Mr. Maurice Frere of the National Bank of Belgium has been expected in the United States in connection with this—and possibly other financial matters—but has delayed his departure from Brussels, pending composure of Belgium's internal political situation. The amount to be sought from the World Bank is not known, but probably it will be related to whatever arrangements Belgium makes for Wall Street credits.

* * *

Applications have also been received from Chile, Czechoslovakia, France, Iran, Luxembourg, the Netherlands, and Poland.

* * *

Pending receipt and decision on Belgium's coming application to the World Bank, action on Luxemburg's $20,000,000 application is likely to be held up. Luxemburg's economy is closely linked with Belgium's, since there is a customs union between the two countries. Partly, at least, Luxemburg's reconstruction needs—as for housing—could be met by the loan of Belgian francs, of which the World Bank holds a supply.

* * *

Possibly another interest of M. Frere in visiting the United States is the Bank for International Settlements. The general future of that institution, its possible utilization by the World Bank and Fund, and its suitability for use in connection with German reparations for World War II are matters of special interest in Belgium. Marcel van Zealand, brother of the former Prime Minister of Belgium, is one of the managers of the BIS, M. Frere himself is Chairman of the Board of the BIS, and Hubert Ansiaux of Brussels, an executive director of the World Fund, is listed in the last annual report of the BIS as an alternate director of that bank.

(Continued on page 1692)

SOUTHERN RAILWAY COMPANY

Fifty-Third Annual Report for the Year Ended December 31, 1946

Richmond, Virginia, March 25, 1947.

To the Stockholders of
SOUTHERN RAILWAY COMPANY:

The Board of Directors submits the following report of the affairs of the Company for the year ended December 31, 1946, which is the annual report it is contemplated formally to present to the stockholders of the Company at the annual meeting due to be held on May 20, 1947.

Foreword

The year 1946 presents in its broadest aspect a record of frustration. The Country looked forward, at the opening of the year, to a period of rapid economic readjustment to post-war conditions and with bright hope for the increased production of civilian goods which the world so desperately needed. Instead, through the year there were continued labor difficulties and strikes, interruptions, shortages, controls, embargoes, and constantly increasing and inflating prices, all contributing to a year of extreme managerial difficulties.

That the Company, confronted with decreased revenues and the highest cost level of wages and materials and supplies in its history, and with a minor fraction of its needed rate increases granted for only half the year, did not make as substantial progress toward its physical and financial betterment as it had done in the six prior years 1940 to 1945 is understandable; that it was enabled to make a net income and to continue dividends to the stockholders is attributable in large part to the accomplishment of those prior years in making capital improvements, in devising improved techniques and in reducing debt, which began to "pay off" in 1946.

I.

The Year 1946

Operating Statistics

The Revenue from Operation of the railroad in 1946 declined to $212,041,109, a decrease of 14.34% from the Operating Revenues of $247,536,833 for 1945.

The volume of business handled and the receipts therefrom, compared with the previous year were:

	1946	1945
Freight moved (tons)	62,306,399	63,605,131
Average distance moved (miles)	231.91	235.97
Ton miles	14,449,343,889	15,009,130,558
Average revenue per ton mile	1.136¢	1.162¢
Total freight revenue	$164,126,085	$174,397,392
Number of passengers	8,834,069	13,465,541
Average journey (miles)	172.60	193.51
Passenger miles	1,524,760,826	2,605,756,203
Average revenue per passenger mile	2.220¢	2.201¢
Total passenger revenue	$33,842,343	$57,361,906

As just shown, freight revenue declined to $164,126,085, as compared with $174,397,392 for the previous year, a decrease of 5.89%. Passenger revenue aggregated $33,842,343, a decline of 41% from 1945, and of nearly 43% from the high war level of 1944, reflecting the fast declining mass movement by rail of the armed forces of the United States.

Contraction of revenues from the high plateau of the war years, 1941-1945, inclusive, was to be expected. What could *not* have been so clearly foreseen was the violent enforced inflationary increases in wages, retroactive to January 1, 1946, and in prices of materials and supplies, coupled with a failure to obtain, prior to 1947, the relief which increases in freight rates would have afforded.

As a result of these increases in wages and costs, to be dealt with in detail in a later section of this Report, the Company was not only unable to reduce operating expenses proportionately to the decline in gross revenues of $35,495,724, as compared with the previous year, but its operating expenses for 1946 went to a new high level of $171,791,729, as compared with $159,711,715 which were the *ordinary* operating expenses of 1945, exclusive of extraordinary charges due to rapid amortization of war facilities.

The effect of the combination of declining revenue and skyrocketing expense is shown in the high transportation ratio of 41.01, as compared with 30.58 in 1945, and an operating ratio (i.e., the total cost of operation as compared to revenue) of 81.02.

With the ending of Excess Profits Taxes, Railway Tax Accruals (reduced by a credit from tax carry-backs of approximately $2,000,000) declined sharply, having amounted to $16,491,195 for 1946, as compared with $43,044,685 for the previous year, a decrease of 61.69%. As will be seen from the following table, *taxes took nearly 8¢ out of each dollar of gross revenue, and amounted to 78% more than the Company's net income (after taxes and charges) of $9,252,270 in 1946.*

The comparative ratios of the several categories of Operating Expenses, and taxes, expressed in the number of cents out of each dollar of revenue, were as follows:

	1946	1945
Transportation	41.01¢	30.58¢
Maintenance of Way	15.51¢	12.75¢
Maintenance of Equipment	18.65¢	22.32¢
Traffic Expense	1.76¢	1.29¢
General Expense	2.91¢	2.22¢
Incidental Expense	1.18¢	1.11¢
Totals	81.02¢	70.27¢
Taxes	7.78¢	17.39¢
Grand Totals	88.80¢	87.66¢

After operating expenses, taxes and equipment and joint facility rents (which latter amounted to 2.09¢ for 1946), there was left for fixed charges and for other corporate needs, and the owners, 9.11¢ out of each dollar of 1946 revenue, as compared with 10.83¢ in 1945, and 12.80¢ in 1944.

Net Income

Net Income (after taxes and charges) for 1946 amounted to $9,252,270, as compared with $16,298,721 in 1945.

Fixed charges were covered 1.73 times in 1946, as compared with 2.19 times in 1945.

After dividends of 5% on the Preferred Stock, the balance of net income in 1946 was equivalent to $4.81 per share on the Common Stock. Net earnings per share of Common over the period 1939-1946, inclusive, have been as follows:

Year	Net Earnings Per Share of Common Stock
1939	$ 2.69
1940	3.35
1941	12.61
1942	23.41
1943	15.81
1944	14.84
1945	10.24
1946	4.81

Use in 1946 of the Company's Financial Resources

With the cessation of war inflated revenues in 1945, there came a necessary contraction in the money available for larger corporate purposes, and the financial policy of the Company for 1946 was one of paying the bills and conserving cash. Aside from payment of running expenses, taxes payable during the year, which amounted to $44,613,714, and fixed charges, the Company (as to larger items only):

(1) Expended treasury cash for capital improvements to the property (road and equipment) in the amount of $12,880,949, as compared with $15,871,428 so expended in 1945.

(2) Used $4,858,776 in debt retirement (a large portion of which was expended to purchase the stock of The Atlanta and Charlotte Air Line), as compared with $16,426,834 in 1945.

(3) Paid dividends aggregating $6,894,600, the same as in 1945.

(4) Had left on December 31, 1946, (a) U. S. Tax Notes in the principal amount of $27,660,000, as reserves against 1946 taxes, payable in 1947, and for other corporate needs, and (b) cash of $27,220,429, as shown in the balance sheet, the latter being reducible by items which were not cleared through the banks as of close of business for the year.

Dividends

Dividends of 5% on the Preferred Stock, and of $3.00 per share on the Common Stock, payable in quarterly installments, were continued.

The Rise in the Company's "Cost of Living"

(I.)

Prices

During the year 1946, the prices of almost everything which the Company had to buy reached extraordinary heights, contributing to the high cost of the year's operation.

A few conspicuous examples are:

(1) Prior to January 1945, the price of new rail was $40.00 per gross ton and by April 1946 reached $48.60, while a further increase announced in December 1946, ran the price up to $56.00, an increase of 40% within two years.

(2) The current price for a 50-ton, 40-foot, steel-sheathed box car is approximately $3,900, while in 1941 similar cars were bought for $2,762 each, an increase of over 40%.

(3) Increases in the price of Diesel-electrical locomotives, approximating 16%, were announced during 1946.

(4) As of June 30, 1940, the average price of coal was $1.86 per ton, while it reached $3.39 per ton as of July 31, 1946, an increase of 82%.

(5) The cost of lumber and cross-ties increased from 60% to 119% during the same period, treated oak cross-ties, for example, now costing $3.00 each, as compared with $1.81 in 1940.

While these increases, and many more for other important supplies, added enormously to the cost of operation and capital improvements, the railroad industry, unlike most other businesses, was unable during the year to obtain relief by increasing *its* prices, as will be seen.

(II.)

Wages and Pay-Roll Taxes

The rise of prices was thus severe in its effect on the year's results. The dollar rise in the wage bill was *more* severe and cost the Company a great deal more money, because wages represent such a large proportion of annual expense.

Increased wages and certain changes in labor agreements had been proposed on a nation-wide scale to the railroads by the twenty railroad unions during the latter part of 1945, the handling of these demands finally resulting, in the Spring of 1946, in awards in arbitration and by an Emergency Board, of increases of 16¢ per hour, retroactive to January 1, 1946, for all employees.

These increases, however, were rejected by the Brotherhood of Railway Trainmen and Brotherhood of Locomotive Engineers, two of the twenty unions involved, who thereupon called a strike which stopped all train service in the United States, and was about to paralyze the Country. In this emergency the President of the United States was obliged to intervene; and the dispute was finally settled, under his direction, by the railroads giving an additional increase of 2½¢ per hour to all employees, and the striking employees going back to work.

These wage increases, on an annual basis cost the Company $19,398,243, together with additional pay-roll taxes of $1,200,751, on an annual basis.

Under the Crosser Act, passed by the Congress of the United States in 1946, further increased pay-roll taxes, costing the Company an estimated minimum additional amount of over $2,500,000 a year for the years 1947 and 1948, and to increase in 1949, and again in 1952, became effective January 1, 1947.

Condition of the Property

Despite the excessive cost of labor and materials, there was no skimping during the year 1946 in maintaining the physical condition of the property.

Capital expenditures on roadway for 1946 amounted to $6,037,548, as compared with expenditures for 1945 of $5,997,638.

Maintenance, both of way and structures and equipment, was not curtailed.

The program of the reconstruction and repair of rolling stock and of buildings and bridges, laying heavier rail and tie plates, and installing mechanical aids to operation and maintenance went on without abatement.

As a result of this long term program of improvement, the property, both way and equipment, continues in an excellent condition of maintenance, and is adequately equipped to handle the expected traffic of the coming years.

Freight Rate Increases

Confronted with realized and potential increases in prices and wages (which averaged in general 50% in 1946, as compared with 1940), the railroads on April 15, 1946, filed a petition with the Interstate Commerce Commission seeking to increase freight rates by approximately 25% and to make the increases effective on May 15, 1946, on one day's notice.

This application was denied and in lieu thereof the Commission granted on June 20, 1946, an interim increase, effective July 1, 1946, which for the Company averaged about 5%, and produced approximately $4,000,000 for the six months it was in effect.

Many months of hearings throughout the United States followed, and finally on December 5, 1946, the Commission issued its order in the proceeding known as *Ex Parte 162.* Under this order the interim increase of July 1, 1946, was rescinded, and in lieu thereof freight rates were increased an average of approximately 17.60%, *effective January 1, 1947.*

It is estimated that based on the 1946 volume of traffic, these increases will produce approximately $20,000,000 additional gross revenue to the Company.

New Rail

During 1946 the Company was able to obtain and there were laid 26,569 tons of new rail; and orders for 1947 have been placed for 35,000 tons.

New Equipment

During 1946, the equipment manufacturers were constantly beset by strikes and material shortages, and the Company succeeded in obtaining during the year only (a) the six 4,000-H.P. Diesel-electric road passenger locomotives ordered in 1944, financing for which was arranged in 1945, together with (b) fifteen 1,000-H.P. Diesel-electric switchers, and (c) six 6,000-H.P. Diesel-electric road freight locomotives.

Fourteen of the switchers and the six 6,000-H.P. road freight locomotives were financed as to 80% of their cost by the sale of $7,880,000 par value of Southern Railway Equipment Trust 1⅝% Certificates, Series "LL," these Certificates, issued as of September 15, 1946, having been sold on an interest cost basis of 1.69.

In addition to 1,000 automobile box cars ordered in 1945 and also to be included in Equipment Trust, Series "LL," the Company had on order on January 1, 1947:

(a) 1323 additional freight cars;
(b) 25 Diesel-electric switchers;
(c) 10 6,000-H.P. Diesel-electric road freight locomotives; and
(d) 83 modern streamlined passenger coaches and all-room sleeping cars.

The freight cars and the Diesel power just referred to are expected early in 1947, 80% of the cost of a considerable proportion thereof having been financed through the sale, as of December 15, 1946, of $7,600,000 par value of Southern Railway Equipment Trust 1¾% Certificates, Series "MM," sold on an interest cost basis of 1.93.

Approximately 75% of the cost of 24 of the switchers is being financed by means of a 5-year Conditional Sale Agreement at 1½% per annum.

Financing for the new passenger cars (which are to modernize the "Crescent" and the "Royal Palm," and supplement the modern equipment on others of the Company's principal trains, and are estimated to cost approximately $9,000,000) is to be arranged prior to the delivery thereof, which is expected in the latter part of 1947.

When the Diesel power now on order for the Company and its affiliated lines has been delivered, Southern Railway System companies will have in service 319 units of Diesel power, operated as 111 Diesel-electric switch engines, 6 small Diesel-electric passenger trains, 16 Diesel-electric road passenger locomotives, ranging from 2,000 horsepower to 4,000 horsepower, and 54 Diesel-electric road freight locomotives, ranging from 4,050 horsepower to 6,000 horsepower.

The aggregate cost to Southern Railway Company and its affiliates of this Diesel-electric equipment is approximately $37,250,000.

Funded Debt and Fixed Charges

The table of funded debt at the end of 1946 showed the following comparison with 1945:

	Dec. 31, 1946	Dec. 31, 1945
Funded Debt	$194,650,500	$194,650,500
Leasehold Estates	52,840,600[1]	52,923,600[2]
Equipment Trust Obligations	39,098,382	26,707,759
Totals	$286,589,482	$274,281,859

[1] Includes $8,841,000 of Bonds acquired by the Company or its subsidiaries since January 1, 1940.

[2] Includes $8,082,000 of Bonds acquired by the Company or its subsidairies since January 1, 1940.

The Company's net fixed charges, on an annual basis as defined by the Interstate Commerce Commission, less income from securities of its leasehold estates owned by the Company, remain at approximately $11,860,000 at December 31, 1946.

II.
Future Prospects
Outlook for 1947

Difficult as were the problems of 1946, there is a bright side for the future, for, growing out of the settlement of the labor difficulties of the year, there will perhaps be a period of relative calm and, it is hoped, of greater industrial production than has been witnessed in peace time in the Country's history, in all of which the Company should, as always, share substantially.

There is also comfort in the recognition during 1946 by the Interstate Commerce Commission of the necessities of the railroad industry, resulting in the award of the Freight Rate Increases in *Ex Parte 162*, just mentioned, which should produce additional gross freight revenue to the Company of approximately $20,000,000 in 1947.

The Company is fortified in its thus expressed spirit of optimism by the industrial developments in the South, effected in 1946 and in prospect as 1947 opens.

Industrial Developments

Despite the vicissitudes of unrelaxed war-time controls and labor troubles, the establishment during 1946 of 506 new industries at points served by the lines of the Company and its affiliates, the enlargement of 108 existing plants, and the location of 32 new large warehouses for the assembly and distribution of numerous commodities, is proof of the continued industrial growth of the South. In this respect, the year 1946 was one of constructive progress toward increased business in the years to come; and this increasing industrialization bears out the faith of its people in the diversity of the opportunities that abound in the territory by reason of its manifold resources.

Industry, indeed, is continuing to "Look South" in its efforts to get closer to friendly labor, raw materials, low-cost power, markets, and a favorable manufacturing climate.

In 1946, the mills of the cotton growing states consumed 87.7% of the total cotton consumed in the United States; and the textile industry continues its remarkable growth in the territory.

Rayon production for the year was the largest on record in all branches of the industry. Further expansion of this important industry is in prospect in the territory as shown by the acquisition of sites for two rayon plants and a nylon plant on the Company's lines. When completed, these three plants alone will add $80,000,000 in new facilities in Southern territory.

The growth of the wood-pulp, wallboard, structural insulation board, and paper industry in Southern territory continued as evidenced by the establishment of four large plants with an investment in these new facilities of $32,000,000. Increased capacity costing over $10,000,000 further enhanced the potential production of the existing paper and allied industries in the territory.

The furniture industry, long dominant in the South, continued its march forward with 78 new industrial enterprises, while the lumber and woodworking industries accounted for 52 new plants.

Southern iron and steel capacity, greatly expanded during the war years, is to be further modernized and improved during the next two years.

The production of tobacco in the Southern states set an all-time high in 1946 of over two billion pounds. Approximately $3,000,000 has been expended during the year for new and additional facilities for processing and manufacture of this crop.

A large investment has been made by a national electrical concern in the establishment of two plants at points served by the Company for the manufacture of radio, radar, and high frequency telephone equipment. Similarly, the location of an automobile assembly plant and a diesel engine service plant with an aggregate investment of $7,000,000 is a further indication of favored opportunity for the sale of these products in the South.

Attesting to their faith in the continued industrial and economic development of the territory, the companies generating electric power in three of the States served by the Company's lines have announced plans to spend a total of $106,000,000 over the next few years in new facilities for steam-electric generating units and rural electric lines.

It thus does not appear that with the stoppage of war production there will be any final loss of activity in the territory. Agriculture, the growing livestock industry, forestry and the many diversified kinds of manufacturing will reach tremendous heights in the South in the coming years.

Public Relations

The stress and strain detailed in this Report which so characterized the first full calendar year of the post-war era created many problems and opportunities for misunderstandings and unfavorable relations. It is recorded with gratitude, however, that the Company's relationship with public authorities, with shippers and passengers, and with the public in general, invariably has been friendly and cooperative.

The Company's local and national advertising program was continued, and the total circulation in all publications was approximately 94½ million. In locally-circulated newspapers, and business, farm and state teachers magazines, specific messages were prepared to relate the interests of each group to the Company's contributions to community growth and prosperity. In the nationally-circulated business publications and general magazines, and in financial periodicals, the Company's advertisements continued to invite the nation's industrialists to "Look Ahead—Look South" for greater industrial opportunity.

Related activities included the writing and distribution of publicity material to newspapers, magazines, and the radio, the preparation and distribution of special material for educators and students, the production and display of posters, and cooperation with authors, editors, educational authorities, and others.

Conclusion

The Company's major policies have not varied in the fifty-three years of its corporate life. They are:

To develop the territory and to foster faith in the South, its people and its opportunities.

To furnish safe, economical and adequate railroad transportation in the territory where the "Southern Serves the South."

To treat fairly and kindly the men and women whose work keeps the railroad going.

To pay a fair return to the owners of the property.

With this steadfast faith, and these principles, the Company confidently approaches the future years.

The management is grateful to the personnel for their accomplishments through another difficult year.

Respectfully submitted, by order of the Board,

ERNEST E. NORRIS,
President.

SOUTHERN RAILWAY COMPANY
Financial Results for the Year

	In 1946	In 1945
The Company received from freight, passeger and miscellaneous operations a total revenue of	$212,041,109	$247,536,833
The cost of maintaining the property and of operating the railroad was	171,791,729	173,945,280
Leaving a balance from railroad operations of	$40,249,380	$73,591,553
Federal, state and local taxes required	16,491,195	43,044,685
Leaving a balance of	$23,758,185	$30,546,868
The Company paid to other companies for hire of equipment and use of joint facilities in excess of the amount received by it from those sources	4,447,039	3,729,101
Leaving an income from railway operations of	$19,311,146	$26,817,767
Other income derived from investments in stocks and bonds and miscellaneous items was	2,848,272	3,521,283
Making a total income of	$22,159,418	$30,339,050
Interest on funded debt and equipment trust obligations, rents paid for leased railroads and miscellaneous deductions totaled	12,907,148	14,040,329
Resulting in a net income of	$9,252,270	$16,298,721

SOUTHERN RAILWAY COMPANY
Financial Position at the End of the Year

	On December 31, 1946	On December 31, 1945	Increase or *Decrease*
The Company had investments in land, railroad tracks, terminal facilities, shops, locomotives, freight and passenger cars and other fixed property of	$579,435,697	$572,811,076	$6,624,621
In addition the Company had investments in stocks, bonds and notes of affiliated companies and other investments carried at	60,243,498	55,548,019	4,695,479
Unexpended proceeds of Equipment Trusts "LL" and "MM", held by Trustees, to be disbursed upon delivery of equipment	11,667,851	-------	11,667,851
Total Investments	$651,347,046	$628,359,095	$22,987,951
The Company had cash and special deposits amounting to	$31,672,213	$44,170,007	*$12,497,794*
And temporary investments in U. S. Government Notes	27,660,000	46,160,000	*18,500,000*
Other railroad companies and others owed the Company	14,668,783	19,540,815	*4,852,032*
The Company had on hand fuel, rails, ties, bridge material and other supplies necessary for keeping road and equipment in good order	16,950,994	13,689,502	3,261,492
Deferred assets and unadjusted debits, including items owed to but not yet available to the Company	6,989,375	8,658,944	*1,669,569*
The Assets of the Company totaled	$749,308,411	$760,578,363	*$11,269,952*
The Company owed for materials, supplies, wages and balances to other railroad companies, and interest, dividends and rents accrued but not yet due	$36,212,921	$34,667,386	$1,545,535
Taxes accrued but not due	10,401,541	40,139,324	*29,737,783*
Operating reserves	2,467,581	2,284,359	183,222
Reserve for depreciation of road and equipment and amortization of defense projects	96,155,584	93,044,784	3,110,800
Deferred liabilities, including items due to others, but not yet adjusted	16,563,201	17,279,153	*715,952*
The total of these liabilities, credits and reserves was	$161,800,828	$187,415,006	*$25,614,178*
After deducting these items from the total assets there remained, for the capitalization of the Company, net assets of	$587,507,583	$573,163,357	$14,344,226
The capitalization of the Company consisted of the following:			
Funded Debt, including bonds, equipment trust obligations, etc.	$233,748,882	$221,358,259	$12,390,623
Preferred Stock	60,000,000	60,000,000	-------
Common Stock	129,820,000	129,820,000	-------
Making a total capitalization of	$423,568,882	$411,178,259	$12,390,623
After deducting this capitalization from net assets there remained a surplus, largely invested in the property, of	$163,938,701	$161,985,098	$1,953,603

Treasury Initiates New Bond-Buying Plan

Payroll savings deduction technique extended to bank depositors.

The Treasury's launching last week of its new "Bond-a-Month Plan" in connection with its distribution of Savings Bonds marks an important new step not only in the promotion of their sale, both during peace and war, but also in the government's policies for capturing the people's savings.

The new technique represents a compromise toward the Treasury's needs, recognized since the frenzied wartime campaigns, for contacting the income of others than payroll savings subscribers, at regular intervals. With this purpose, and to stimulate sales of bonds to non-bank investors, the New York State War Finance Committee tried to devise a plan for the regular deduction of subscriptions to be made from dividend income. After much discussion with corporate transfer agents and dividend-disbursing officials, it was finally determined that the general unwieldiness and the particular difficulties would outweigh the estimated advantages.

This new plan, handled through the commercial banks, operates in having the depositor who is willing to buy a bond each month, sign a card authorizing the bank to deduct the purchase price from his or her checking account. The bank will issue the bond at its convenience during the month, and mail it to the customer. Thus it is expected that the depositor, who is on such a "Bond-a-Month" plan, will be in the same category of automatic bond buying as the millions of wage and salary earners now on the Payroll Savings Plan (whose participants understandably number less than a quarter of their wartime amount).

In addition to gaining more subscriptions quantitatively, the new plan is expected to fulfill the aim for getting new categories of the community as bondholders. This method of bank deposit deduction should go far in enlisting small business firms and their employees, professional and other self-employed persons, farmers and large numbers of other bank depositors to whom the Payroll Savings Plan for one reason or another is unavailable.

Frank J. Brennan Is CED Ch'man for Eureka

Frank J. Brennan, resident manager of Dean Witter & Co., has been appointed Eureka, Calif., community chairman of the Committee for Economic Development, it was announced by Walter Fuller, President of the Curtis Publishing Co. and Chairman of the newly formed CED National Information Committee.

In addition to his duties with Dean Witter & Co., Mr. Brennan is a Past District Governor of Rotary International, District 104, California.

"The Committee for Economic Development is now engaged in an intensive program of research leading to the foundation of responsible recommendations designed to encourage national economic policies contributing to the maintenance of high levels of production, distribution and employment in this country," Mr. Brennan said.

"It will be my objective to enlist the interest of Eureka businessmen and others who wish to associate themselves in a common effort to bring about a better understanding of the facts and principles underlying the nation's economic problems. CED publications discussing these problems and suggesting their solutions will be made available to all who are interested.

"Only through better public understanding will come the new policies which will help us avoid sharp dips in business activity and employment and bring about continuing economic progress," Mr. Brennan said.

Railroad Securities

Western Pacific securities have been giving a particularly good account of themselves in the last few months of generally sagging markets. The common stock has recently been selling about, or slightly above, the level prevailing at the beginning of the year. That stability has been in marked contrast to the performance of the stocks of such other western roads as Santa Fe (down 9½ points), Union Pacific (down 6 points), Southern Pacific (down 5 points), or Great Northern (down 3 points), and the performance of railroad securities in general. Many rail analysts look for a continuation of this better-than-average market action, and eventual substantially higher prices for the stock.

In part the price stability of Western Pacific securities may probably be traced to the announcement of the directors in the closing days of February that $5,000,000 of the Income 4½s would be called for redemption on May 1, 1947. A similar amount was called for redemption a year earlier. It had been hoped in many quarters that because of the company's exceptionally strong financial status the entire balance of the Income bonds would be paid off. Even though the full hope was not realized the action was construed as bullish. At the same time that announcement of intention to call $5,000,000 of the Income 4½s was made the directors announced declaration of the full $5.00 on the preferred and a dividend of $3.00 a share on the common payable $0.75 quarterly May 15, etc.

With the redemption of the $5,000,000 Income 4½s on May 1, there will remain outstanding only $6,540,000. Originally, on consummation of reorganization a couple of years ago, the issue amounted to $21,219,000. Rapid retirement of debt in this manner is of course a significant boost to credit and the investment status of the equity in any instance. In the case of the Western Pacific it is of particular significance to holders of the common stock. The Income 4½s are convertible into the common stock at $50.00 a share. Thus, elimination of the bonds through redemption at a time when the conversion feature is not attractive, removes the potentiality for later dilution of the equity. Last year when bonds were called for redemption market conditions were such that the majority of bonds were also retired with cash rather than converted. Of the reduction of $9,679,000 so far accomplished in the outstanding Income 4½s (before the May 1, 1947 redemption), $5,194,400 was through payment and $4,484,600 through conversion into the stock. As a result the amount of common stock outstanding increased 89,692 shares to 408,283 shares.

Western Pacific is viewed as an entirely different proposition than it was ten years ago. Its traffic potentialities have been enhanced materially. There has been considerable industrial expansion in parts of the service area. New traffic sources have been opened up through an extension of the company's lines to a connection with Great Northern in northern California. While this extension had been completed in the early 1930s, it had not reached its full utility because of the poor physical condition of Western Pacific. This same consideration prevented Denver & Rio Grande Western and Western Pacific together from reaping the full potential benefits from construction of the Dotsero Cut-off.

Both the Western Pacific and the Denver & Rio Grande Western have been virtually rebuilt in recent years while being operated by trustees. Thus they are now in a position to compete for profitable transcontinental traffic they were not formerly in a position to handle expeditiously. Another benefit to be derived from the thorough property rehabilitation and the installation of a large amount of new equipment will be found in increased operating efficiency and the consequent lower costs. Last year earnings on Western Pacific common, allowing for the participation feature of the preferred, amounted to $3.53. Many analysts look for close to $6.00 a share this year and for some years to come, at least.

Sanborn Co. Formed

CAMBRIDGE, MASS.—Sanborn & Company has been formed with offices at 39 Osborn St. to engage in the securities business. Officers are James L. Jenks, Jr., President; George A. Sanderson, Vice-President and Treasurer; Crawford Goldthwait, Second Vice-President and Clerk.

Complete Largest Municipal Bond Sale

D. Hale Brake, Treasurer of State of Michigan, receives a check for $200,000,000 from E. F. Dunstan, Vice-President, Bankers Trust Co., New York, completing final detail of the largest State or municipal bond issue ever sold to the public through underwriters. The issue was authorized at last November's elections by Michigan voters to finance the State's Veterans' Bonus program. The bond issue was awarded to a banking syndicate headed by Bankers Trust Co.

Left to right are: R. G. Page, Vice-President, Bankers Trust Co.; D. Hale Brake; E. F. Dunstan, Vice-President, Bankers Trust Co.; David M. Wood, of Wood, King & Dawson, Attorneys for State of Michigan, and B. A. Tompkins, Vice-President, Bankers Trust Co.

Sweden Drastically Curbs Imports

Shrinkage of foreign exchange reserves leads government to impose ban on all except most essential commodities. Will increase exports of woodpulp and newsprint. Swedish Government fails to win support of all parties on taxation policy.

According to a wireless dispatch, dated March 16, to the American-Swedish News Exchange, Sweden's strained foreign exchange situation has made necessary rigorous import restrictions, which the Government declared in force as of March 15. Licenses will be granted for goods needed for Sweden's economy. Hides, cotton, wool, solid and liquid fuels, and gasoline remain entirely free. In 1946 Sweden had an import surplus of not less than 842 million kronor, and consequently the country's foreign exchange holdings decreased considerably. The imports of luxury and unessential goods and articles will now be halted or drastically cut, and at the same time efforts will be made to increase exports. Some newspapers express the belief that the new regulations will not have to be enforced beyond the first of next year.

The import embargo includes coffee, tea, and cocoa, which again become rationed. For the first ration period which ends April 8 each person will receive 250 grams of roasted coffee (slightly more than one-half pound), 100 grams of tea, and 200 grams of cocoa, while restaurants and cafes will be allotted 70% of the 1946 consumption. Such articles as automobiles, tropical fruits, perfumes, nylon stockings, furs, etc., are also forbidden.

The official announcement was made over the radio in the evening of March 15 by Axel Gjores, Minister of Supply, who outlined the new restrictions. However, news had been circulated via the grapevine route the day before, causing, at least in Stockholm, a wave of hoarding. In some cases people bought several hundred pounds of coffee, quickly emptying the shelves of grocery stores.

According to "Stockholms Tidningen," a general embargo on paper can be expected shortly in order to reduce the domestic consumption and increase the export of this staple product.

Some experts believe that the country can increase these exports by 10 to 15% when heavy rationing is imposed on the domestic market.

The United States is likely to to get considerably more of Swedish paper and pulp as soon as Sweden gets her paper mills working. Sweden exported 650,000 short tons of pulp to this country in the last six months of 1945, but only 365,000 tons in the whole of 1946, because of American lower ceiling prices. The annual production, at present 2,300,000 tons, may reach 2,650,000 tons when the shortage of coal and labor has been overcome.

Present prices vary between $99 and $124.50 a short ton, but may be raised soon. Newsprint production reached 120,768 tons in 1946 of which 38% was exported.

Swedish Inflation Conference Ends in Deadlock

Conferences between members of the Swedish Government and representatives of the leading parties in the Riksdag concerning Sweden's economic situation ended on March 13 in a deadlock after six weeks of deliberations. Prime Minister Tage Erlander announced that during an early stage of the meetings, the opposition parties—the Conservatives, Farmers, and Liberals—expressed the wish that any plans to increase the taxation of certain higher income groups should be abandoned for the time being. The Government, on the other hand, felt that it could not make such a promise. With the tax matter out of the way, the discussions then centered on problems concerning the price level, especially the effect of the recent wage increases on the current economic situation. Since no agreement could be reached, it was decided to break off the negotiations.

In a statement issued by the three opposition parties, it is pointed out that the economic situation in Sweden is characterized by an increasing tension between supply and demand, which is clearly mirrored in the trade figures for 1946, showing an import surplus of 800 million kronor. This tension will increase further due to the wage increases in the collective agreements for 1947.

Investment Dealers Of Ohio Is Formed

CLEVELAND, OHIO—In an effort to keep members of the security business in closer contact with court decisions and legislation vital to the industry and to maintain liaison with various State government sections, a total of 72 investment firms in Cleveland and Ohio have formed the Investment Dealers of Ohio, Inc.

Robert Shepard of Hawley, Shepard & Co. of Cleveland, is among the organizers.

Mr. Shepard said that 30 Cleveland firms are members of the new group which will have headquarters in Columbus, State capital.

The law firm of Marburger, Evatt & Burton of Columbus, has been retained as counsel and Mr. Shepard said a slate of officers will be announced shortly. A member of the law firm's staff will be named a director of the organization, he added.

Cleveland will be represented by four members on the executive committee, one each to be named by the Cleveland Stock Exchange, the Cleveland Security Traders Association and the local chapter of the Investment Bankers Association. The fourth member will be selected by these three.

New York Stock Exchange Weekly Firm Changes

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

Transfer of the Exchange membership of Daniel T. Lehane to Morris B. Ebin will be considered by the Exchange on April 3. It is understood that Mr. Ebin will act as individual member of the Exchange.

Kenneth W. Hume, member of the Exchange, died on March 14.

Julian A. Acosta, limited partner in John J. O'Brien & Co., died on March 19.

Washington And You

(Continued from page 1649)

trols. It now becomes (1) probable that Congress will adjourn without giving Eccles what he wants and (2) that shortly thereafter the Board will ask the White House to dismantle consumer credit controls now functioning by executive order. This situation, of course, doesn't touch margin trading requirements.

* * *

That 30% tax crumb voted by House Republicans for taxable incomes of $1,000 and less hasn't won much tranquillity for the tax reduction bill. It did soothe a few GOP malcontents in the House, but still faces rough going in the Senate. In fact, the bill right now couldn't muster enough votes for Senate passage. It will be delayed, substantially altered, may be revised completely in that body.

* * *

Rebuffed by the House, typewriter manufacturers have turned to the Senate for removal of price ceilings on typewriters bought by the Government. The Senate Appropriations Committee, in closed session the other day, heard arguments why the government should junk its policy, adopted in 1913, of writing maximum price tags for typewriters and no other article purchased by Uncle Sam. Committee Chairman Bridges views the practice as discriminatory, but probably can't offset the unanimous vote by which the House Appropriations Committee preserved the ceilings.

* * *

Bankers and the public can expect an imminent splurge in counterfeiting. Printing and passing fake money subsided during the war for two reasons: (1) many counterfeiters took lucrative war-time jobs, and (2) counterfeiting materials became scarce. Now a lot of the old operators are on the loose again and materials are becoming plentiful.

* * *

In the making also is a boom in check and bond forging. The Treasury expects to handle 49,000 such cases this fiscal year as against only 40,800 last fiscal period, expects to have 20,000 cases pending July 1, or 3,000 more than a year ago. Distribution of terminal leave bonds to veterans is tempting forgers to try for some easy dough.

* * *

The House-approved bill suspending for two years the 4-cent copper excise tax will be relayed by the Senate to the President shortly. "Very, very quick action," is promised by Finance Committee Chairman Millikin of Colorado. Other westerners counter with petitions against haste and for a 12-month suspension only, but they'll be bowled over by a majority for the two-year abeyance. Congress now knows the supply situation is really critical.

* * *

Real fact is that suspending the 4-cent duty probably can't kite copper imports to needed volume. Securing adequate foreign copper even at higher prices did not appear promising at the end of 1946. Today it is even less promising. Panic bidding for the metal may not be far away.

* * *

Suspending the 4-cent tax is to be but one phase of an unavoidable legislative venture to keep fabricators supplied with copper. A second phase will deal with subsidies for domestic mine operators, a third with the protection of non-integrated fabricators from discrimination in the distribution of inadequate supplies. This may point toward Federal allotment controls.

* * *

The Treasury is about to conclude a long study of how to tax cooperatives and will try to set down a conclusion and justification on whether they should be (1) fitted into the corporation tax system; (2) taxed as partnerships, or (3) accorded a special tax treatment.

* * *

The Federal Power Commission is apt to see its natural gas and petroleum operations walled in by Congress before long. There's a good chance Senate and House will pass legislation greatly restricting FPC controls at both ends of transmission facilities.

* * *

Internal Revenue Bureau's revived crusade to force corporate distribution of at least 70% of income may draw fire from small business friends on Capitol Hill. If the Bureau shows any disposition to prevent small businessmen from ploughing back more than 30%, there'll be trouble. Bureau regulations make it particularly difficult for small business with short histories to justify retention of funds.

* * *

Debt retirement brought a 17% shrinkage last year in holdings of Government securities by the 13,359 commercial banks participating in the Federal Deposit Insurance Corporation program. Such holdings declined $15,358,000,000 to $73,575,000,000 on last December 31. The fall in Government security totals was partly offset by a substantial increase in loan volume, and assets of the banks contracted only 6%. The decline in security holdings was primarily in Treasury notes and certificates of indebtedness.

* * *

Legislation permitting the Federal Reserve Banks to continue the direct purchase of Government securities is over the congressional hurdle and will shortly become law.

Dreyfus, Jacquin Co. To Admit Hirschmann

Otto Hirschmann will be admitted to partnership in Dreyfus, Jacquin & Co., 61 Broadway, New York City, members of the New York Stock Exchange, on April 3. Mr. Hirschmann in the past was associated with Halle & Steiglitz.

Senators Skeptical of ITO

Millikin and Hawkes criticise Charter's vague language, and question preferential arrangements. Former tells "Chronicle" hearings are constructive.

WASHINGTON (Special to the "Chronicle")—In somewhat painfully prolonged questioning Tuesday of Harry Hawkins, State Department witness on the ITO charter, Chairman Millikin of the Senate Finance Committee and Senator Hawkes failed to reach a meeting of minds with the witness as to the meaning of that phrase in Section 34 of the new draft of the charter reading "or failing that, by termination of such obligations in accordance with their terms."

Millikin insisted that if the language clearly means that the charter has teeth to compel Britain to abandon Empire preference "you've got something." But Mr. Hawkins refused to agree to that interpretation of the language quoted above. Hawkins rather stated that the charter would not compel Britain to abandon Empire preferences. Hawkins said that he personally would not object to removal of this above quoted language from the draft charter.

Senators Millikin and Hawkes evidenced interest in the application of this proposed language to preferential arrangements which this country has with the Philippines and Cuba. Also they were critical of such indefinable language in the charter as "low tariffs," "high tariffs," "substantial" and "provisionally."

Senator Hawkes expressed apprehension lest some day this country wake up and discover that, as a result of something done by the Administration at Geneva or elsewhere, we find that we have exported jobs.

In any event it is daily becoming increasingly clear that the ITO Charter as it now stands will experience rough going when it comes up for endorsement by the Senate.

Hearings Called "Constructive"

In a statement to the "Chronicle" Washington correspondent, Senator Millikin said:

"One of the constructive features of the hearings is that it will develop the meaning of the charter for the proposed organization prior to the time of its submission for the approval of the Congress. Thus it will enable the Congress to express its views regarding the plan, if it wishes to do so, before being presented with an unchangeable *fait accompli*. This, I believe, is the first time that this has been done for many years in connection with such international agreements."

Mutual Funds

By HENRY HUNT

Speaking of "Loads"

Last week we mentioned the fact that three of the leading distributors of Mutual Fund shares had readjusted their "loads" to a figure of 7½%, with 5% going to the dealer. It is possible that pressure will be brought to bear on other distributors, who now have higher charges and pay 6% to dealers, in an effort to put the business on a more uniform basis with respect to selling charges.

There are those who feel that a selling charge of even 7½% is too high. However, if we look upon the business as the merchandising of securities, the spread of 7½% appears reasonable. Department stores generally figure on a mark-up of 40% while dealer commissions on automobiles average 25% on top of the manufacturers profit. Moreover, in fairness to the sponsor corporations, let us see just what their share of this 7½% is and how much they have to do to earn it. Out of a "load" of 7½%, 5% goes to the dealer, and generally 1% to the wholesale man, leaving 1½% for the sponsor corporation.

Out of this 1½%, the sponsor corporation must absorb the following costs:

1. Newspaper and other direct advertising.
2. Printing and mailing of sales promotional literature.
3. Salaries (also traveling expenses) of sales executives, assistants, and stenographic help.
4. Part of rent and general overhead.
5. Legal expenses, registration and "Blue-Skying."
6. Half of dealers' advertising expenses.
7. Entertaining dealers when they visit the "big city."
8. Telephone and Telegraphic quotations and order expenses.

Most executive salaries and other costs, including the major one of maintaining an adequate research department, are debited to the ½ of 1% management fee. It is important to realize that, under present conditions, it requires approximately $20,000,000 of assets for a nationally sponsored, well staffed fund to reach the "break-even" point.

To sum up, although the mutual fund business has been criticized as one with an excessive selling charge, in relation to retail merchandising costs the spread is low.

"Home Cookin'"

Eaton and Howard trustees and employees evidently appreciate their own cooking since nearly 5% of the Eaton and Howard Balanced Fund is owned by them or their families. This is but one of many interesting facts to be gleaned from their new 50-page "Yearbook for 1947." Perhaps the most comprehensive booklet ever published by a mutual fund, it deserves high praise on the scores of readability, lay-out, and typography.

Recommended Reading

The March issue of "The Prudent Investor," issued by the **George Putnam Fund of Boston,** contains two articles of unusual interest.

The first, "The Trusteeship Tradition," gives the historical background and origin of the 1830 lawsuit, Harvard College vs. Amory, which resulted in the famous "Prudent Man Rule." In handing down his decision, Judge Justin Putnam, great-great grandfather of the founder of the George Putnam Fund, pointed out that a Trustee cannot be expected to be a guarantor of investments as no single investment, even government bonds, can be called safe. Judge Putnam's comments on government obligations were radical and highly provocative at that time. If the precise legal rhetoric of the period is appreciated, the following statement of the Judge's should prove enjoyable. "It may well be doubted if more confidence should be reposed in the engagements of the public, than in the promises and conduct of private corporations which are managed by substantial and prudent directors. There is one consideration much in favor of investing in private corporations. They are amenable to the law—but the government can only be supplicated."

The other "Prudent Investor" article compares current living costs with those of 1920 and includes the following tabulation.

	Cost May, 1920	Cost Feb., 1947
Arrow Shirt	$2.25	$3.50
Bacon (lb.)	0.22	0.65
Butter (lb.)	0.72	0.69
Coffee (lb.)	0.43	0.49
Crisco (lb.)	0.29	0.44
Eggs (doz.)	0.62	0.56
*Ford (sedan)	975.00	1,120.00
Pork Shoulder (lb.)	0.25	0.39
Mackerel (lb.)	0.25	0.25
Necco Wafers (2 oz.)	0.05	0.06
Ribs of Beef (lb.)	0.38	0.53
Fare, Boston—N. Y.	6.83	5.82
Silk Stockings	2.25	1.95
Walk-Over Shoes	10.00	12.95

*F.O.B. Detroit.

Get Along Little Doggie

The following bit of doggerel, also culled from the "Prudent Investor," is quite irrelevant to the mutual fund business—but we like it just the same.

"There was a little dachshund once
So long he had no notion
How long it took to notify
His tail of his emotion
And thus it was that while his eyes
Were filled with woe and sadness
His little tail kept wagging on
Because of previous gladness."
—Anonymous

If more sales literature designed for the investor's consumption were seasoned with a little salt and pepper, such as the above, it might prove more palatable.

Notes

A pamphlet entitled "Dollar Averaging—its Definition and Its Application" has been issued by the **National Securities & Research Corporation.** New folders are also available on National Preferred Stock Series and National Income Series.

Broad Street Sales Corporation's "Letter" concludes: "The current low relationship between prices as a whole and earnings generally, indicates that the market has discounted to some degree the possible readjustment in the rate of earnings in the latter part of the year, and should such a readjustment eventuate, the current discounting should tend to mitigate the effects on the market of a lower earnings rate. However, if it became clear that the current period of good earnings will last longer than now anticipated in many quarters, a moderate improvement in the price-earnings ratio, with earnings at current high levels, would produce a substantial increase in prices."

Lord, Abbett has revised its "Dollar Averaging" booklet.

Calvin Bullock has a new leaflet on **Dividend Shares.**

Distributors Group's new folder, "Present Values in Automobile Shares," contains some interesting charts.

Massachusetts Investors Second Fund on Feb. 28, had 1,294,000 shares outstanding, up 35% over a year ago.

[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.]

Our New Foreign Policy

(Continued from page 1651)

secure. Its precarious status can only be maintained by force and political police methods. Apart from the moral degradation which it demonstrates, it lacks the elements of mutual confidence among nations, essential to normal political and economic international relations.

What is even more serious, further development of the present world situation, by encouraging the creation of centers of Communist revolution on the fertile soil created by famine, destitution and despair, threatens the very existence of Western civilization.

On the Wrong Track

We have been on the wrong track. We have been running away from reality by crying, "Let the United Nations do it." Not only is United Nations only in its infancy, but our policy has been infantile. We lent Tito $650,000,000 to make the Balkans safe for Communism; now we are loaning Turkey and Greece $400,000,000 to save the Balkans from Communism. We sold our own ally, Poland, the first to fight Germany, into the hands of Stalin. Now we are desperately trying to stop what we helped start—the spread of Communism in Europe. Only grossly inept handling of foreign affairs could have brought us into our present positions, and that is exactly what we have had to date. It is the sad result of a decade of patty-cake foreign policy and now we have reached the point where the chips are down. It is now beyond partisanship; it is a matter of patriotism.

President Truman not only brought the issue out into the open. He recommended more—much more—than a mere financial or humanitarian policy. He did not make a bellicose speech. At the same time he was extending to Russia our hand through Secretary of State Marshall at Moscow—if she chooses to accept it. But he did throw down the gauntlet to the imperialist and aggressive policies of Russia.

The President announced that not only were we Anti-Comintern—but that we proposed to do something about it. Here is what we are doing:

In effect, we are forming a Western bloc with Britain, et al, in the Mediterranean to stop Soviet expansion.

Of course, it naturally follows that we will be forced to a similar course of forming an Eastern bloc with China, Australia, etc., in the Orient.

Old Balance of Power Game

Despite political or wishful protestation, it is the old balance-of-power game. And we might as well face an additional fact—it by-passes the United Nations. It is Marshallian militaristic realism vs one-worldian star-gazing. In short we are in European power politics up to our necks, and in it to stay—right out in the open.

I believe it is imperative that the American people should know what they are doing. Mr. Truman and Mr. Marshall should place their cards face up on the table at all times.

As I see it—we may be at this moment deciding for war with Russia—just as much as we decided for war with Germany, when Lend-Lease was passed.

People ought to understand that this decision is being made and, if they want, express themselves on the subject.

But listen—if we had asserted ourselves when Hitler went into Czechoslovakia or Japan into Manchuria there would have been no Dunkirk or Pearl Harbor.

Furthermore, let us not forget that President Cleveland's stout-hearted Venezuelan message brought Great Britain around so from that time on her policy was one of friendship for the United States.

Russia is already vigorously carrying on acts of aggression in Cuba, Mexico, Canada—in fact all the countries of the Western Hemisphere including the United States.

Furthermore, everywhere Communism only rules as a minority dominating the majority by force. The conflict is not economic. It is more the age old attempt of Asia to conquer Europe—of Paganism against Christianity. Witness the murder by Russia of the three Polish socialist labor leaders—and leaders of the underground against Hitler.

The military dictatorship of Russia is not content to demonstrate in one country the workings of Communism by the trial and error method, but has reverted to original Marxism and is undertaking to impose it on the whole world by force.

The Soviet High Command would shoot Norman Thomas as quickly as they would the President of the National Association of Manufacturers.

What Should Be Done?

1. President Truman's request for authority to block Russian aggression also means the end of the old give a yard and gain an inch—of our tragic-comedy billed as the "firm but friendly" policy with Russia.

It means the end of attempting to conceal—from the world by pompous statements in deathless prose—the complete lack of success in the meetings of foreign ministers.

Under the "firm but friendly" policy—Russia was striding forward, and the United States either retreating or so confused that we were losing prestige and the respect of the world at a dangerous rate.

2. It means if we are to save Europe from Communism that we must break flatly and finally with the infamous Morgenthau plan. We must reshape our policy in Germany. That is consuming time, money and manpower which can be used to a better advantage. Furthermore, it actually is not accomplishing anything.

Germany is the heart of Europe. We have been destroying Europe by our policies. We must help them rebuild. We cannot rule them indefinitely. Europe is like a patient with coronary thrombosis. We have got to treat the heart instead of massaging the feet and the hands, which are Greece and Turkey.

3. We will have to change not only our entire German policy, but Italian as well. The Trieste Treaty must be rejected. From every angle it is bad.

4. On The Western Hemisphere we must return to the Good Neighbor policy which was damaged so badly at the hands of Secretary of State Byrnes.

5. It means keeping our Army and Navy at their highest efficiency. But that does not mean that the Congress should accept unquestionably the budget estimates of habitually wasteful Army and Navy heads. A sound fiscal policy is essential to national security.

6. It means that we must stop wasting our substance all over the world as we have been in this post war period by scattering our resources through so many different agencies. It means a reduction in the services government can give at home.

The more we protest that the new Turko-Grecian policy is not pressure on Russia—the more we destroy its benefits to us and the world.

Only by frankly and boldly proving that we are through with concessions and that our purpose is to put a stop to Russian imperialism and expansion—can the loans accomplish the ends desired by the liberty loving democracies of the world.

The way our new policy is followed through is of the utmost importance in unifying the peace loving peoples of the world.

We are flush up to the plowing season—either we perform now—or we are likely to follow the time worn paths of procrastination, right into another war—ten, fifteen or twenty years from now.

The British Empire is all but completely out of action. Either we openly intervene in Europe or Russia will take over. Britain undoubtedly will come back when she gets her belly full of economic planning. But how far and how soon is the question. She is bankrupt politically and economically, today, but the British are a tough, resilient people. I predict that they, even as we survived the New Deal, will survive Socialism. Yet it is extremely doubtful if Britain will ever regain her old position.

Let us not make the mistake of thinking that we are going to take the historic role of Britain in the 18th and 19th centuries. Then, Great Britain was a first call power in a world of first class powers. Today, mass murder—private torture—terrorists' methods—are used by Communist fifth columns all over Europe to establish control over their fellow countrymen who, surprising though it may seem, actually outnumber the Communists ten to one. That creates fratricidal hate and cruelty. Frenchmen are straining to fly at Frenchmen's throats.

We Are Only First Class Power

Today we are the only first-class power in the world. Britain is exhausted, Germany and Japan are destroyed, and France—France is France. What few Americans realize is that Russia is as weak—if not even weaker—than Britain. Only the iron curtain withholds from the world generally, what our statesmen have known specifically — that internal conditions in Russia are chaotic. Yet the ridiculous part of our whole foreign policy is the way we have let Russia win pot after pot with a pair of deuces, while we laid down four of a kind.

I sometimes wonder how Americans think Russia performed as brilliantly as she did in the war. Was it a triumph of Communist organization and planning? Or was it because the United States, which Russia now scornfully denounces as a "decadent democracy," saved their hides?

Let's take a look at the record. The fact is that the United States waged a war so colossal, so stupendously greater than that by and other nation, that it is beyond our comprehension.

Where Russia fought on a two-thousand mile front and a mere pond called the Baltic Sea—where Britain guarded a coast of eight hundred miles and a life line through the Mediterranean and the Indian Ocean ten thousand miles long — the United States waged war on seven oceans, every sea, and on scores of fronts that totaled not two, but tens of thousands of miles. Our invasions of Jap-held islands alone were military feats heretofore never dreamed of. The invasion of Europe by British and American forces combined was a titanic operation which even the military mind still has difficulty grasping. The world has never seen the equal of the military achievements and military resources of our great and glorious Republic.

From a production standpoint the job done by American industry singlehandedly, almost defies the imagination. Consider:

Between 1940 and 1945, this country produced 294,000 fighting planes, including approximately 100,000 bombers—a plane production that far out-stripped the production of all other nations of the world combined, enemy or allied. In approximately the same period this nation, which had only 7,695 ships in its Navy in 1941, had 100,000 fighting and auxiliary ships when the war ended in 1945. In fact, by the time the war was over, we actually had more ships in the United States Navy than we had men in its personnel in 1939! Today we have a Navy that far out-strips the dream of any Admiral in history, and dwarfs all other Navies of the world combined.

Our construction of merchant ships was actually hair-raising. In approximately five years, we built 7,100 sea-going ships in the merchant class with the result that when the war ended, America—not Britannia—ruled the waves, with the American flag flying on twice as many ships as all the other merchant fleets of the world combined.

In five years, American industry produced 6,000,000 rifles, 5,000,000 carbines, 2,500,000 machine guns, and 2,000,000 submachine guns. In the same period our factories turned out 37,000,000,000 rounds of ammunition to supply those same guns with fire power. We produced 85,000 tank guns, 55,000 units of field artillery, 71,000 mortars, 770,000 trucks, 2,000,000 tons of high-explosive TNT, and 2,000,000 tons of smokeless powder.

Those are figures that not even the mathematical mind can cope with, but I am not through. I want to offer you some figures which will give you a better perspective on the might of the Soviet Union's Red Army. Listen!

In a little over three years—during the very time when we were hearing how Russia was winning the war almost unaided—we sent the Soviet Union by air or in our own ships and under our own escort through the treacherous Arctic and Persian Gulf routes, 14,450 fighting planes, including 9,700 pursuit ships and 3,800 bombers, 7,000 tanks, 3,200 armored scout cars, 2,200 ordnance service vehicles, 52,000 jeeps, 363,000 trucks, 35,000 motorcycles, 8,200 anti-aircraft guns, 135,000 submachine guns, 343,000 tons of explosives, 105 submarine chasers, 195 torpedo boats, 7,600 marine Diesel engines, $320,000,000 worth of machine tools, $35,000,000 worth of metal cutting tools, $43,000,000 worth of petroleum refining equipment, $171,000,000 worth of electric generators, 810,000 tons of non-ferrous metals, 17,600 tons of ferro-alloys, 2,688,000 tons of steel, entire railroads, not to mention tons of food including butter which you did without. And if that is not enough to impress you, let me add that what we sent Russia was only two-thirds of what we sent Britain!

And if you are still unimpressed let me further add that the above list is not complete by several railroad systems—several hundred ships and hundreds of millions of good old American dollars.

When you consider that in addition to all this, we put 12,000,000 persons into the armed services and raised approximately four hundred billion dollars in taxes and loans from our people, I can't help but cry, "Wake up America, what did we fight this war for anyway—to make this world safe for Communism?"

Now I purposely omitted the mention of one weapon which we produced that literally overshadows every other single effort of the war—the atom bomb. No words of mine can begin to describe its horrifying potentialities. At the moment it is an American possession; how long it will remain our secret no one knows. But as Winston Churchill says, "It is the new balance of power in the world today." It makes the United States—already armed with the greatest Navy, the greatest Air Force, and the greatest Army, the most awe-inspiring military power the world has ever seen.

So here stands America, a stupendous nation—strong like no other before it—unaware of the vastness of its muscle, unsure in its leadership without which world solutions are impossible.

Woodrow Wilson and Franklin Roosevelt both campaigned for reelection on a too proud to fight policy. We weren't, and we did. But as I said in 1936—the policy of appeasement meant encouragement to the aggressor.

Now Is Time to Exert Our Strength

Now is the time to exert our strength—our determination to have peace—or fight if need be. There is no other nation, or combination of nations that can lick us—and the other democracies. This is not war talk; this is just common-sense. I am simply trying to say that in strength and a sure knowledge of that strength is the only road to peace.

If Greece falls into the Soviet group so will Turkey, Iran, Iraq, Egypt, Italy and most of Europe. Unless we help China she too will eventually become a Russian satellite. But we have pulled out of China because of conditions that are duplicated in Greece. We should return.

Therefore, the controlling factor of the Turko-Grecian loan is not only its overall purpose—but how our other policies are to match this step. That is the crux of the whole matter.

We must make our moves in a way that will leave other democracies in no doubt as to our long range policies.

Only if Uncle Sam of the big stick speaks with a powerful voice and acts accordingly can we hope to diminish the threat of war clouds.

In all this we must not cease to recapture a sense of the principles for which America stands almost alone in the world today.

Under the new deal and the war to beat the Nazis we went half down the road to socialism. There is great danger that we could go even more totalitarian in our struggle with Russian aggression.

Unless we are on our guard we may not have anything left of our Republic to show for it after it is all over.

Bold united action was never of greater value, nor of greater importance in our entire national history.

There can be no compromises—no vacillating — no procrastination. Now is the time for action. I would either give the President all the power he asks—or I would not give him any of it. For Turko-Grecian aid is the beginning of a long range stout hearted American policy for the benefit of the American people.

In my judgment only by giving the President everything that he asks—and only by the President on his part developing a definite—strong—consistent and intelligent foreign policy in place of a vacillating to the point of non-existing foreign policy can we hope to achieve a secure and free life.

Jacobs & Low Open Uptown Branch Under Katz

Jacobs & Low, members of the New York Stock Exchange, announce the opening of an uptown office at 1441 Broadway, New York City, under the management of Gilbert Katz. In the past Mr. Katz was with Eisele & King.

Canadian Securities

By WILLIAM J. McKAY

During the war the Hyde Park Currency Agreement removed all Canadian anxieties concerning the ability of the Dominion to take adequate care of its U. S. dollar requirements. As it transpired this arrangement was highly advantageous to both countries. On the one hand, Canada was assured of an immediate market for a volume of exports sufficient to cover any adverse balance of foreign exchange with this country; on the other side of the picture this country had access to immediate delivery of urgent war supplies which were unobtainable elsewhere.

The original purpose of the agreement was to avoid an exchange deficit on the Canadian side. However when the arrangement was terminated at the close of the war emergency period the Dominion emerged with an embarrassingly large surplus of U. S. dollars.

At this time Canada found it desirable actually to seek means whereby this unnecessarily large exchange balance could be reduced. As a result Canada was able to reimburse this country in cash for the numerous military installations and other projects that this country had set up on Canadian soil as a joint measure of war preparedness. Thus Canada unlike all the other belligerents outside this country was not only financially and economically strong enough to pay in full without Lend-Lease aid all her direct war commitments in addition to granting generous mutual aid to other countries, but was also in a position to pay off all her indirect war obligations. Moreover after this scrupulous and generous adjustment of wartime accounts the Dominion was still left with an unprecedently large reserve of foreign exchange.

Peace-time exigencies, however, are proving to be as fully onerous as those of the war period and the strain is falling on the only two countries in the world which are still financially and economically solvent—the United States and Canada. The only remaining hard currencies on the basis of which it is possible to permit a resumption of world trade are the U. S. and Canadian dollars.

It is logical therefore in the interests of both countries and the world at large that steps will be taken to devise a scheme similar to that of the war-time Hyde Park arrangement. Canada demonstrated during the war the ability to function successfully by her own resources. This is still the case, but as during the war and perhaps even more so today, the psychological effect of such an agreement would be of incalculable benefit. The scarcity of hard currencies is the world's most critical economic problem. The indiscriminate employment of U. S. dollar credits does not solve this problem. By means of an elastic currency arrangement of this kind, however, Canada's abundant resources can largely help to fill immediate world needs, and Canadian requirements of U. S. dollars would be automatically secured. Such a scheme is all the more to be recommended in view of the fact that Canada has amply demonstrated the capacity and the will to meet any obligation whether direct or indirect.

During the week the securities market was extremely dull and inactive. The external section registered a slight improvement on expectations of the early signing of the bill that has passed the New York State Legislature whereby certain Canadian securities would be eligible for purchase by savings banks. Internals remained dullwith little turnover and free funds after an early improvement suffered a further decline. Internal stocks were irregular with golds losing earlier gains following lessened confidence in the baseless rumors of currency devaluation.

Van Alstyne Noel Offers Empire Millwork Stock

Van Alstyne, Noel & Co. headed an underwriting syndicate which made a public offering March 21 of 125,000 shares of $1 par common stock of Empire Millwork Corp. at $8.75 per share. The offering is being made on behalf of certain stockholders, and no proceeds will accrue to the company.

Incorporated under New York laws on Feb. 11, 1921, the company is engaged in the business of manufacturing, jobbing and selling millwork, consisting of doors, sash, window frames, door frames, moldings, cabinets, and other wood products, and of logging, milling, jobbing, and selling lumber. Executive offices, manufacturing plants and warehouses are located in Corona, Queens County, N. Y.

"Looking toward the future," the prospectus said, "the corporation has in contemplation (a) increasing its productive capacity for general lines of millwork by the erection of additional factory and warehouse space; (b) adding a new line of builders' supplies, such as wall boards, insulation, roofing materials, asphalt products and the like; (c) expanding its lumber business . . . and (d) expanding its present over-the-counter business to home-owners by inaugurating a mail order business through advertising and cataloging."

Philip Lehman Dead

Philip Lehman

Philip Lehman, senior partner of the investment banking firm of Lehman Brothers, and prominent banker, philanthropist and art collector, died March 21 at his home at 625 Park Avenue, New York City, in his 86th year. He is survived by his son, Robert Lehman, who succeeds him as senior partner of Lehman Brothers, and his daughter, Pauline L. Ickelheimer.

Philip Lehman was born in New York, Nov. 9, 1861, the son of Emanuel Lehman, one of the firm's founders, who was in the Confederate Army at the time of his son's birth. Emanuel Lehman and his brothers, Mayer and Henry, founded the firm in Montgomery, Ala., in 1850 as cotton commission merchants and factors.

A partner of Lehman Brothers since Oct. 13, 1887, Philip Lehman was the first Chairman of the Board of Directors of The Lehman Corporation, a leading investment company. He served in that post from 1929 to 1941, and until the time of his death was a Director of F. W. Woolworth Company, a position he had held since Feb. 16, 1912.

During the years Philip Lehman was senior partner of Lehman Brothers, the firm forged into a leading position among important investment banking organizations of the country. In earlier days the firm was largely concerned with cotton and other commodities having been a charter member of the New York Cotton Exchange of which it is one of the only two charter members now in existence. Philip Lehman was one of the earliest members of the New York Coffee and Sugar Exchange. By the beginning of the present century the operations of Lehman Brothers had grown to be national and international in scope. Many of the country's leading mercantile establishments, including chain, department and mail order stores, have been financed by Lehman Brothers since the early 1900s. In recent years the firm has also been prominent in the public offering of securities of leading industrial and public utility enterprises, and of the obligations of various States, municipalities and public authorities.

In addition to his association with the Woolworth Company, Philip Lehman had been a Director of Corn Exchange Bank Trust Company of New York; Sears, Roebuck & Co.; The May Department Stores Co.; General Cigar Co., Inc.; Lawyers Title & Guaranty Co., and General American Investors Company, Inc.

During his younger years, Philip Lehman, in collaboration with his wife, was prominent as an art collector and took an active part in a number of charities.

Boston Municipal Bond Club to Have Outing

BOSTON, MASS.—The Annual Outing of the Municipal Bond Club of Boston will be held on June 13. The usual pre-outing functions and details of the party itself will be announced later.

The Club will limit guests to 100 this year on a first come first served basis and requests that those planning to attend contact B. Shipleigh Symonds of F. S. Moseley & Co. or Chester R. Durgin of Lee Higginson Corporation for reservations.

Observations

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tailing the foreign rich getting richer and the domestic poor getting poorer. Moreover bananas form the only crop for the small cultivators, who had to be subsidized by the home government at a wartime cost of £3½ million. The colony lacks all fuels and most raw materials, and hence depends to an inordinate extent on agriculture. Ninety-eight per cent of the 1¼ million population descended from African slaves who were brought in to serve the Spaniards, live side-by-side with the contrastingly affluent British who govern the Island.

Illiteracy is high, and gives no promise of early drastic abatement. Not more than 50% of the children attend school, some ostensibly remaining away because of lack of minimum clothes requirements. In 1945 the Jamaica Agricultural Policy Committee reported that "There can be few countries where the overall state of rural housing is worse than it is in Jamaica."

An additional stimulant to local labor discontent is derived from the practice of annually "exporting" a large number of natives to the States for seasonal work on cooperative and other farms. Reports back of garnering wages of $32 per week plus board up north surely does not add to native complacency.

The Subsidy Program

To overcome such physical deficiencies in Jamaica as well as the other colonies, the home government in 1940 decided to inaugurate a process of subsidies in a so-called "development and welfare" program. £5 million a year was set aside for the colonies' development of public works projects that they could not finance from their own resources. The basic purpose has been to develop the colonies' own natural resources so they can subsequently pay for the necessary social services without resorting to subsidies.

Recently 10-year plans have been drawn up and inaugurated in all the colonies, to coordinate all such kinds of subsidization until the year 1955. The total outlay is to be £120 million, of which £19 million is to go to Jamaica for agriculture, forestry, irrigation, industry, and communications in the "development" category; and for health, education, social welfare, in the "welfare" field. In August 1946 a grant of £100 thousand was made for an Island-wide housing development scheme; during the last quarter £380 thousand was granted for agricultural development.

On this island the great problem remains of raising the very low standard of living; and for this the absorptive capacity of the colony will have to be continually enlarged. About 20 thousand or so adolescents come on to the labor market annually. Now there is only one person occupied in agriculture for every five acres of land; but even so, it is held that the 4,450 square miles of land cannot possibly absorb the excess labor supply; at least not with any semblance of technological efficiency. We have here the anomalous situation of a constant decline in the productivity of the land, coincidental with a rapidly increasing population consuming its products. Hence, without the ability to finance imports, the standard of living, through industrialization, will require far greater investments of capital than now appear to be scheduled or feasible. And without such capital investment to raise the living standard, the political difficulties and embarrassments to Britain will become progressively intensified—a situation seemingly becoming typical throughout the Empire!

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determined, almost hour by hour, by decisions and events of which we are scarcely conscious, or which seem to have passed beyond our control. Conditions at home and abroad which will determine the survival not only of a free economy in America but perhaps ultimately of a free America, and which have been hidden, evaded or ignored in the two years since war was suspended in Europe, have abruptby broken through the surface in the past few weeks, bringing a bewildered American people some blinding revelations.

Post-war Developments

There has been the incredible revelation of an insolvent socialist England and an impotent British Empire, dependent upon America for support and protection. There has been the brutal revelation of the implacable purpose and pervasive conspiracy of communist world domination. There has been the dismal revelation of the cumulative and catastrophic consequences of weakness, error and evil in American foreign policy during and since the war. There has been the embarrassing revelation of a morally and politically bankrupt United Nations. And there has been the overwhelming revelation of the terrible, interminable and probably unbearable burden of the utter isolation that has finally been imposed upon a free America as reward or punishment for her pursuit of the "one-world" delusion of compulsory international collectivism during the past decade.

It is not for me to interpret the domestic and international political implications of these threads from which the fates are weaving the American destiny. I am concerned only with their impact upon a free economy in this country, and they plainly compel a reappraisal of the problem and prospects of its preservation or survival.

I shall assume that most of you know why economic freedom matters to America as it does to the world; why there can be no democracy without a free economy, and why it is the sole basis of political freedom and civil liberty, as well as of material prosperity and progress everywhere. I shall not have time for full discussion of the domestic conditions and policies that have so largely determined the steady drift away from a free economy and toward compulsory collectivism in our internal economic life during the past decade of new-dealism and war. They have been and still are important, but the foreign policies that have been proposed to Congress during the past week are decisive, for if they are pursued to the end—as they must be once adopted—they will end what remains of a free economy in America and all possibility of its revival or survival anywhere in the world in our time.

Effect of Foreign Dominated Systems

Why this is so is plain in the experience of the past 30 years. Whatever the real or apparent purpose, whether it be to export some political faith, or to promote full employment or maintain political power at home, any attempt to impose a doctrine of government or an economic system upon other countries by force or bribery first destroys economic freedom and finally political liberty at home, because it inevitably involves unlimited expansion in the power of government, in public spending, and in public debt to maintain vast armies and bureaucracies at home and abroad, until inflation and taxation and government control destroy free markets for commodities, labor and capital, deplete the savings and cripple the productive power of the people, making them dependent upon the state for support and subject to its power. As matters stand today I see only one possible path of escape from the dilemma in which this process puts America today, if we hope to restore or preserve a free economy in this country, and have the intelligence and courage to try it.

Thirty years ago next month we set out on our Great Crusade, not merely make the world safe for democracy, but to carry to those countries who had never known them or had lost or discarded them the ideas and ideals of economic and political freedom whose benefits we had enjoyed and by which we had grown rich and strong, productive and independent. In the full generation since, we have not merely wasted an enormous part of our wealth in military and financial efforts to impose our economic and political freedoms upon an unwilling world, or to bribe an ungrateful one to accept them. The waste of wealth may not matter if we remain free to replace it; but besides that we have steadily squandered or sacrificed our own store of those freedoms from which our wealth and power flowed, until now, we present the tragic spectacle of a nation still rich and powerful, but with few of her freedoms left, standing utterly alone, without hope or prospect of sympathy or support from any source, in an impoverished and completely collectivized world from which practically all economic or political freedoms have disappeared, and which we now propose to save from the menace of communism by bullying or bribing it to accept our brand of compulsory collectivism instead of its own or Russia's. What began three decades ago as a crusade of democracy has become a clash of rival collectivist imperialisms, a global collision between the customs, manners and dogmas of New Deal collectivism and those of Soviet communism, a competition between conflicting faiths of national and international economic planning for favor or influence among the mendicant economies and the beggar or robber governments of the world.

Cannot Fight Communism With Communism

The end is not yet, but we know it will not be in a free economy for America or anyone else, for if these three decades of waste and destruction have demonstrated anything it is that you cannot successfully fight communism with communism by calling it freedom or democracy. You do not establish a free economy or defend any freedom in Turkey by subsidizing its socialist dictatorship, nor in Greece by imposing progressive income taxes and rationing cards under an American military administration; and certainly you do not strengthen economic freedom in America by either in action. Every kind of compulsory collectivism has the same inevitable outcome in terms of political tyranny and oppression, and you cannot stop or retard its progress at home or abroad by planetary pump-priming plans, by global New Deal spending programs, or by innoculating the community with any milder form of the same disease. It needs very different and much stronger medicine.

If this description of these three decades past seems paradoxical as you read of our latest crusade today in the old terms of freedom and democracy, let me remind you that this is not the first time in history that the liberator has become the tyrant, the victor the victim of the evil he overcame in the enemy he vanquished. Nations as well as men take on the qualities of those they conquer. This has been the essential outcome of the past 30 years of the Great Crusade so far as the survival of a free economy is concerned. The Nazi and Fascist brands of national socialism and state capitalism were destroyed, and their bad names and manners abolished, but their economic systems have been absorbed by this and every other country. If Soviet communism or British socialism today wished to devise a trap in which to destroy what remains of a free economy in America and insure the permanent spread of communism in the world I could imagine no better way than to launch this country on a spending crusade against communism in which we would be first persuaded and ultimately compelled to pour an immeasurable amount of our remaining economic resources into the bottomless pit of supporting foreign militarism and global pump-priming.

Economic Freedom on Wane

The fact is that everywhere in the world economic freedom, and with it many of its companion freedoms, has been on the wane for a generation at least, and the market for it among the peoples of the world and among all groups and classes of them is deeply depressed today. The periods of freedom in history have been few and brief, and none was as spectacular in accomplishment as the swift century and a half that closed with the first World War. On the economic side the shrinkage of freedom became evident then; but it was not till the second World War that the political freedoms and civil liberties began to be conspicuously curtailed and compromised.

All the nations assembled at Versailles to make the peace treaties that ended the first World War were republics or democracies under representative parliamentary governments, with economic systems operating in fairly free markets, except for traditional tariffs, some private cartels, and a few minor public monopolies. Every country in the United Nations outside of North America is a political dictatorship or a more or less totally state-controlled or owned economy, or both. If a free economy means one that rests on free markets, in which prices and wages are determined and resources are allocated by free competition and not by private or public monopoly or government regulation, there is in fact not a single free economy left in the world today. Almost nowhere is there a fully free legitimate market for anything. The price and supply of nearly every important commodity and service is determined by private or public monopoly or by government regulation or both. In many parts of the world political and civil liberties have wholly disappeared or have been drastically impaired, and there is probably more slavery or forced labor in the world today than ever in the human record.

The drift away from economic freedom has seemed to proceed under a sort of emotional or intellectual anaesthesia to which most groups, including business men, have been subject, and which has steadily reduced their sensitivity to increasing limitation of the free market by private or public monopoly or governmental regulation. The very language of economic freedom has become perverted or confused, as the bureaucratic Towers of Babel have been built, so that almost every proposal for expansion of executive power and every piece of legislation for wider State control of the domestic and international market is framed in terms of the sacred purpose of preserving or promoting free enterprise. The devil himself quotes its scriptures with pious sentiment and solemn sincerity while millions cheer and vote for more public spending and government control. Thus the earnest, enthusiastic or anxious alike among us Americans today are traveling swiftly and for the most part cheerfully along a road from which most of the familiar landmarks have disappeared and the directional signs have been removed or arranged to point in both directions at once. We measure our speed and progress by many imaginary statistical mileposts like national income figures, but we are no longer sure or even aware which way we are moving on the road—backward toward an old collective servitude or forward toward some new kind of freedom.

Some Paradoxes

The new world, whatever it may turn out to be, is being born in a strange sort of twilight-sleep or hypnotic trance, which may perhaps explain some of the paradoxes evident in the drift away from the free competitive economy toward a compulsory collective economy in our time, especially as it appears in America. Consider the paradox of this country's situation, and of our own and the world's attitude toward it today. Here you witness the only people in the world who have been able to get enough food, clothing, fuel and other necessaries of life for themselves; who certainly by any standard have been able to provide themselves with a greater measure of economic prosperity than any other; a people whose economic problem has always been an embarrassment of abundance rather than a crisis of scarcity; whose surplus productive power has twice within a generation saved the rest of the world from defeat by Germany, and from starvation, and is today the only thing that can save Britain from bankruptcy; a people who have created that immense productive power and accomplished these things mainly by their political and economic freedom.

Who would imagine that such a people, emerging from these immense achievements, would be impelled as though driven by some profound inferiority complex to abandon the basic conditions and ideas by which it did these things, and copy the pathetic example of the European and Asiatic peoples whose countries have been wasted and wrecked, and whose creative power has been destroyed by centuries of war, struggles for power, political plunder, exploitation, conspiracy and oppression? Who would suppose that such a people, fresh from these spectacular accomplishments, could be persuaded to believe that a poor, primitive, predatory despotism like Soviet Russia provided for them and the world a model of freedom, or democracy, or economic progress; a mentor whose sterile ideas, methods and institutions we should imitate or emulate? Who would imagine that America would be moved to submit her mind and spirit to intellectual or moral intimidation by such an example, or by the hypnotic spell of propaganda about it, or be led to open herself to a pervasive conspiracy—in which many of her citizens and groups innocently or purposely participate—to subject this country to the same process of demoralization, pillage and conquest that communism has imposed upon the helpless peoples of Europe?

Emotional Surrender to Collectivism

These things are incredible, yet they have happened to the mind of the American people, unconsciously, perhaps, but unmistakably. The evidence of intellectual, moral and emotional surrender to some form of compulsory collectivism has been abundant and clear during the past decade. The growth of governmental and private monopoly power over the economic organization has been so rapid, so comprehensive and so deep-rooted, and the atmosphere

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Securities Salesman's Corner

By JOHN DUTTON

In the investment business we sell ideas not securities. If our ideas are sound and they work out profitably for our clients we can build a successful career for ourselves. If not, everybody loses including our customers. One of the best ideas you can get hold of is as old as the proverbial hills. Find an industry or a particular security that has been depressed due to conditions outside of the control of management; where the intrinsic soundness of the venture is unquestioned; that is about to turn the corner for the better, and that is selling at bargain counter levels because most people are too dumb to know a good thing when they see it—that's all you have to do to make money for yourself and your customers. "Buy them when nobody else wants them," is the best way to make money providing you are buying something that has intrinsic value and not junk. There is a difference you know.

On March 12 George Geyer, of Geyer and Co., Inc., made an address before members of the Boston Securities Traders Assn. and their guests, and he pointed out that Insurance stocks today (in his opinion) represent such a special situation. This is one of the most sound analyses concerning the present position of these highly attractive securities that we have ever had the privilege of reading. Geyer and Co., Inc., 67 Wall Street, New York City, as well as the Boston Securities Traders Association, attention Mr. G. Carl Jordan, Jr., c/o R. W. Pressprich & Co., 201 Devonshire Street, Boston, Mass., have available reprints of this address in handy booklet form, suitable for mailing in a regulation size business envelope. Ask for "The Special Situation in Insurance Stocks."

Here is a piece of direct mail literature that should bring in the business if it is properly used. A personal letter should be mailed to your customers and prospects stating that from time to time you are definitely convinced that bargains do appear in the securities markets. When this happens, buying opportunities present themselves which can be turned into exceptional profits. Explain that you are enclosing a copy of an address made by one of the security industry's leading authorities on insurance stocks and that you think that, at present levels, these securities are attractive. Ask your customers to read this booklet. Tell them your firm has selected several stocks that you believe represent outstanding values today and that you would be pleased to give them particulars if they so desire. Follow up your mailings with telephone and personal calls, offering them not more than two or three specific stocks.

It is not the purpose of this column to undertake any original research into specific situations, or even groups of stocks, but in this instance we are willing to leave a reading of Mr. Geyer's well-thought-through presentation of his case for the Casualty and Fire stocks to your own judgment. The way we see it he is on sound ground. At any rate you can't sell you customers better merchandise than the stocks of some of the old line companies in this industry. Their investment record is tops! It is our opinion that insurance stock prices are very attractive today—see what you think about it and send for some copies of this excellent booklet. Here is something your customers will like to read and it can bring you some business.

With J. J. B. Hilliard

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, KY.—Henry W. Schoening has been added to the staff of J. J. B. Hilliard & Son, 419 West Jefferson Street, members of the New York and Chicago Stock Exchanges.

Harry Crawford In Duquesne

DUQUESNE, PA. — Harry L. Crawford is engaging in the securities business from offices at 311 Kennedy Avenue.

With Leonard J. Fertig

(Special to THE FINANCIAL CHRONICLE)

FT. WAYNE, IND.—Gordon S. Griffin has become associated with Leonard J. Fertig & Co., Berry at Court Street, members of the Chicago Stock Exchange.

With Merrill Lynch, Pierce

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—Fred S. Kuethe has become associated with Merrill Lynch, Pierce, Fenner & Beane, Circle Tower.

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of government control is now so pervasive and familiar or normal that most Americans cannot imagine its removal or any material change in it, and have come to doubt that it can be done. We have already been living in the iron lung of government control so long that we can't think of breathing the air of economic freedom with comfort or confidence any more.

This is plain enough in the pathetic history of postwar reconversion policies, and in the painful picture of paralysis which the majority party in power in Congress has presented in trying to interpret its popular mandate in dealing with taxes, public spending, labor and foreign relations. The contraction and control of government activity is the crux of all freedom, economic as well as political, but governments never demobilize themselves, and since the New Deal decade and the war in which it culminated, it has been impossible for any party seriously to propose or attempt to demobilize government, or to shrink its powers or functions in any substantial way, in America any more than anywhere else in the world. Two years after the recent war ended prices, production, consumption, exports, imports of many important commodities are still determined by government, and no material change has been made in its comprehensive control of savings, investment, capital markets and interest rates. Even before another war is proposed the majority party in Congress has been unwilling or unable to bring itself to make any substantial reduction in the budget or the tax burden by which the governmental mammoth is fed, or to make any significant curtailment in the privileges and powers of the private labor monopolies that determine wages and control production and employment in most occupations.

Except for the marginal fringes of economic life—which always survive somehow, even, I suppose, in Russia—the decade of new-dealism and war has left few remnants of a free economy in America. So far as the prospects of its survival are concerned, the main difference between the situation in this country and most others is that government and the labor unions here are still engaged in a struggle for control of the individual and his economic life, which in most other places the government has won. We are now witnessing the final phase of that struggle in England, the cradle of economic freedom, as well as of political liberty. Having abandoned the free economy and turned the individual citizen over to the power of private labor and government monopoly, the people on this little island, composed of coal and surrounded by fish, find themselves freezing and starving and foredoomed to poverty; but they cannot return to a free economy because, once abandoned, the road is closed or lost, and those who leave it must finally turn themselves totally over to the State.

We Have a Mixed Economy

Ours is at best a thoroughly mixed economy today, and it is generally accepted as such. Almost no one now questions the stability, desirability and consequences of the combination of government control and private enterprise under which we live, and the idea that it is possible and necessary to evolve a system that provides both economic freedom and security simultaneously is universal and orthodox doctrine. Very few seem aware of the relation between the two, or of the nature of the irreversible process by which you pass from one to the other.

The manifestations of the growth of the collectivist mind in current American life, within the form and phrases of a free economy, are many, and perhaps the most current and crucial is our extensive and increasing participation in international governmental arrangements for control of trade, investment and exchange, which require and commit this country to far-reaching internal regulation of prices, employment, production and consumption by government. Beginning with the commodity pooling and allocation arrangements of the war period and running down through the Bretton Woods agreements to the Charter of the International Trade Organization, this structure of collective action is being tied together in the massive United Nations mechanism for promoting international peace and security, economic stability and full employment. Though the ostensible aim is to reduce restrictions on world trade, the effect and perhaps the intention is to put the control of internal as well as international economic activity ever more completely in the hands of government and destroy what remains of a free competitive market at home as well as abroad. Almost all of the governments with which these arrangements are made are socialist or communist, or conduct most of their domestic or all of their foreign business through public or private monopolies, and the arrangements permit and practically compel us to do the same. Since it might not have been possible to bring this about so easily or so soon without such arrangements, they are an effective device to promote or impose a kind of back-door collectivism in America, and this is perhaps their primary or ultimate purpose, on the part of our own or foreign governments. But because they are bound up with words or ideas about international peace, relief and reconstruction, or about providing an antidote to communism abroad, few Americans are aware of their implications for the free economy at home or are willing to oppose them. Yet, so far as these arrangements can or will be put into effect, they must end every vestige of a free market in international trade; and they cannot be effective or enforced without complete government regulation of the internal economy of every country concerned, including this one.

International Collectivist Movement

This international collectivist movement is an expression of ideas which have been the official economic doctrine of our government for more than a decade. In the form in which we adopted them they were imported from England (which did not then adopt them) during the depression, with Lord Keynes as their chief salesman, and they are now almost universally accepted or assumed in this country by all groups, though the man who invented and popularized them is Karl Marx and even England has skipped them in her rapid progress toward that policy.

Their substance is that, under modern conditions, to assure domestic and international economic stability and peace, governments individually and collectively must compel a continuous redistribution of wealth and surplus production to consumers at home and abroad by control of savings, investment, consumption, through "compensation" fiscal policies of taxation, spending and borrowing, and by government management of the financial system and the capital market. Economic stability and expansion can be assured by government "planning" to underwrite and manage the market for goods and services at home and abroad; and only in that way is it possible to avoid detailed State control of the conduct of individuals and complete public ownership of production and resources. Though the element of compulsion in this procedure is perhaps painless, it is pervasive and persuasive, and since a free capital market and free consumption are the keystones of private competitive capitalism, when it is fully applied it does not leave much of a free economy. The Keynes scheme is sometimes called communism by remote control, but experience in this country and everywhere else has shown that it cannot be applied in practice without increasing measure of direct physical control of production and consumption through rationing, allocations, priorities and labor conscription.

Sanction of Labor Union Monopoly

In the American catalogue of official collectivism the doctrine of publicly sanctioned, supported or enforced labor union monopoly, under the name of "collective bargaining," has an important place. Whether a free competitive labor market is more or less important to a free economy than a free capital market, compulsory industry-wide or nation-wide collective bargaining and the closed shop are plainly incompatible with it; but both are now generally accepted as proper or necessary in this country. Their public support is perhaps in small part the product of political expediency; in larger part it is an application of the official Marxian consumer-purchasing power theory of prosperity; but mostly it expresses the drift of American feeling in every field toward compulsory collective action and against voluntary individual competitive effort.

Beneath and beyond the collectivist drive of official doctrine and bureaucratic conduct we have in this country today not only a labor collectivism, and a professional or technical collectivism, but also a business collectivism, well advanced and with varied manifestations. It is a debatable and perhaps brutal question whether or not American business ever believed in a free economy with deep conviction, or still does at all. Skepticism on this point does not rest on the familiar and all-too-human yearning among businessmen for conditions or private arrangements that relieve the strain of too strenuous competition in a free market. The umbrella complex is common to all groups, but all private monopoly—including that of labor—that is not in some way supported by government is usually self-corrective in time, and the disposition of private enterprise in this country to seek, accept, approve or depend upon expanding government support or regulation of the market has been evident and increasing. The American business mind is deeply divided, to the point of displaying a sort of split personality, on all key questions of public policy that affect the free market, like price controls, price maintenance, subsidies, priorities, allocations, rationing, tariffs, foreign loans, government lending, buying and selling, and especially on industry-wide collective bargaining, the closed shop, etc. The coefficient of business tolerance of government intervention in the economy has risen rapidly in the past decade of new dealism and war, and however divergent its views may be on particular measures of government regulation, there is one idea it widely accepts. This is the idea that it is possible and necessary for government to underwrite the consumer market by managing the general fiscal functions so as to maintain consumer purchasing power and employment. The Marxian economic doctrines of Lord Keynes and his domestic expounders are today the credo of American business; it not only sees no inconsistency with a free economy in their application by government, but is convinced that they are indispensable for the preservation of a free economy in America. We find American business spokesmen today making constant use of the familiar formula or device of communist propaganda, which is to warn the public that unless certain mild measures of compulsory collectivism of this kind are adopted, the country will go communist. Every day we hear some business leader, along with some labor leader, say: "We believe in free enterprise; but it must be made to work by better government control."

New Economic Dogmas

These dogmas about consumer purchasing power as the open sesame to prosperity and stability, and about government as the fairy godmother of full employment and the guarantor of market demand, permeate the business literature of our time; and important organizations of businessmen are devoted to propagation of the faith that only central government control of this kind will work as a way of preserving and improving the free economy.

One may wonder how these businessmen, or anybody else, know whether it will work, for it has not yet worked anywhere in the world, and it would be hard to invent or imagine any system that could produce such amazing waste and confusion, poverty and insecurity as is now being exhibited day by day in a world of countries whose economies are completely planned on this principle, under central government control. One may wonder even more why the spokesmen and practitioners of the kind of economy that has accomplished what has been done in America should be convinced or want to be convinced that it did not work or does not work here any more. There is in this state of mind — so common, though often unconscious, in American business today—something fanatical in its combination of blind faith in government power, and its frantic fear or fatalistic despair of freedom. It can reflect only a profound ignorance of past and present experience or the considered or cynical conclusion of speculative expediency, which is that socialism is coming in America as it has come everywhere else, and the safest, or wisest or even the best thing to do is to be ready to ride it.

Soviet Conspiracy

The collectivist trend of thought and feeling I have sketched is partly spontaneous, and in part deliberately nourished by a comprehensive and carefully planned international conspiracy. The center of this conspiracy, of course, is Soviet Russia, and its immediate aim is to promote the decline and suppression of any form of economic freedom wherever it still exists, especially in the United States. Its ultimate purpose is to destroy the political freedoms and civil liberties in every other country and extend communist rule throughout the world. The existence of this conspiracy and the evidences of its activities here and abroad, in every aspect of economic and political life, are definite and unmistakable. It operates by innumerable forms and agencies of sabotage, espionage, propaganda, agitation and subversion to promote confusion, conflict, violence, distress and disorder, and it involves in some measure all governments and groups in every country.

Yet as it looms up in the problem of preserving a free economy in America, Soviet communism is a sham menace. It is not an economic movement, but a political or, more precisely, a military conspiracy of planetary pillage or global plunder, if you please. Russia is today, as in truth she has always been, a parasite on Western capitalism. Soviet communism has in itself no actual economic or military power, and without our support it would long since have collapsed. Soviet Russia is a primitive, impoverished, predatory Asiatic despotism. It has lived and ruled for three decades by plunder and by exploitation of an immense mass of human capital in the form of political prisoners, war captives and slave citizens. Though this massive totalitarian structure is framed in meaningless economic dogmas which none of its people understand, and is decorated or disguised with borrowed or stolen devices of modern technology which they have not the temperament, intelligence or training to master, it is empty of any real capacity, power or purpose except those of oppression, plunder and intimidation, insolvent in everything save the resources of intrigue, treachery and terrorism, bankrupt of all assets but brutality and bluff.

The real menace of communism to freedom, in America or anywhere, lies in our acceptance of its fundamental ideas and our application of its methods under other names. For us, as well as for other countries in Europe, the chief danger to the free economy lies in the drift of our own thought and feeling toward compulsory collectivism, and in the confusion or cowardice that seduces or persuades us to policies and practices at home or abroad, under the name of freedom and democracy, which inescapably promote it and make it permanent. To suppose or pretend that we are fighting communism when we do these things is folly or fraud.

Dogma of Unlimited Government

The deadliest enemy of economic and political freedom in America and everywhere else is the dogma and delusion of unlimited government, and its most powerful instrument is not communism but militarism, with all the implications of monetary inflation, economic waste and moral corruption that accompany it. Soviet Russia, her satellites, and all the other collectivist countries of the world today are busted because they have been and are still ridden by the burden of vast bureaucracies and armies maintained in corrosive idleness or forced consumption, to promote "full employment," or for exploitation or oppression of their own people, or for fear of being plundered by their neighbors, or in hope of surviving and expanding by plundering them. Mars is the ultimate enemy of a free economy, no matter under what name or form it manifests itself, and the final hope of economic or any other freedom for America or any other nation lies in world disarmament.

Surely there is no hope if, after nearly 30 years of war waste and devastation, most of which we paid for, we here in America, the only surviving island of freedom, undertake again to dissipate our remaining resources on a piecemeal basis in the infinite and futile effort to support these armies and bureaucracies for any purpose whatever, whether it be to save the world for some new definition of democracy, or merely to postpone another depression or win another election. If we do, we start down an endless one-way road, on which we may soon expect to see the familiar signposts of the war-economy — conscription, inflation, rationing, priorities, price and wage fixing and all the rest we so recently thought we had left behind; but this time, starting from where we left off in our last adventure in compulsory collectivism, the terminus must be total insolvency and total slavery.

The course of events abroad as well as conditions at home bring us closer day by day to the time when we shall have to decide as a nation whether we are determined to use our power promptly to liberate ourselves and the rest of the world from the morass of unlimited government and endless militarism or will make unconditional surrender to the system of ideas about the State which we set out thirty years ago to destroy in Europe and Asia and which have invaded and conquered us while we were doing it abroad.

Whether America can be kept imprisoned within the global structure of compulsory collectivism and militarism which has been erected around her political institutions and economic organization during this decade, or whether she is to resume life within the traditional framework of economic freedom and competitive effort is the central issue for the world. It underlies not only the larger issues of international peace and reconstruction, but also the practical domestic problems of reconversion and prosperity for us.

The essential truth in the situation I have been describing is that under the incubus of militarism and bureaucracy, socialist or communist totalitarianism, with all their myths and pretensions of magical power to produce plenty and peace, are economically and morally insolvent today. The dilemma that confronts them is that they must either cripple or prey upon the productive power of America, they must either become our dependents or our destroyers, which in either case must mean the end of political power for those who rose to it in those countries by promising their people the collectivist paradise as soon as it should become planetary in scope. Isolation has become as impossible in our time for totalitarian socialism or compulsory collectivism as it is for free competitive capitalism.

A World of Beggars and Robbers

The brutal fact is that the war left us facing an encircling "one-world" of beggars or robbers, who cannot live with a free America or without her. The global organization in which they pretend to have banded together to safeguard peace and freedom was busted before it began, and today it has plainly become an elaborate apparatus for the purpose either of international parasitism or collective conspiracy, or both. Not merely has it evaded the issue of disarmament; it has evaded even the excercise of any effective police power to preserve the peace, and has actually become an instrument for promoting internal revolt and external conflict among its members. Not only are all of them today taking full advantage of its camouflage of parliamentary mechanism and strategy to arm themselves to the teeth in feverish haste against the ultimate test of force in which alone they rest their faith. It is being built—if it was not originally designed—as a massive device for immobilizing, sterilizing, sapping and dissipating the power of a free America, and all our policies and disposition toward foreign appeasement and philanthropy, as well as our internal difficulties of reconversion, have been promoted and exploited to that end.

Our Dilemma

The dilemma that faces us is equally plain. For the moment, as we have emerged from the war, we have in our hands, almost alone, the decisive instruments of overwhelming military and industrial strength, which we don't know how to use. If we were to put forth upon the world the full force of our economic and political power, for the only purposes for which we can conceive using it, the structure of compulsory collectivism in the rest of the world would collapse like a house of cards and the mirage of unlimited government would vanish into thin air. If we fail to make the fullest use of our resources for the purposes of peace, the internal dissention, confusion and conflict upon which the collectivist virus feeds, and which are being fostered among us with feverish speed, will spread, increasingly cripple and paralyze our power and finally destroy us. In the kind of world in which we live today, the kind of power America commands must be used to those purposes of peace, freedom and plenty from which it sprang or it must perish. It is a dynamic force which must unfold itself to the end of its destiny or die.

The American people have neither the temperament, impulse nor the talent for any form of imperialism. It is something irrelevant and meaningless in the American climate. Whenever in their history they have been drawn or driven—by the political devices or economic accidents of domestic conditions—into an imperial struggle in the rest of the world, they have done the job of ending it for the day and then have always abandoned it and gone back to their own. There has never been anything the rest of the world could give them as good as what they have gotten for themselves here at home; there is nothing they have wanted from it except to be let alone. And this is still true; but this war was the last in which they will ever be able to feel that way. The decision they face today is fundamentally different from any they have had to make in the past, for this time the world cannot and will not let them alone. They have conquered it in fact; they will now be forced to subdue it in spirit and practice to their purpose of peace and freedom and plenty or it will destroy them. If anyone complains that the dilemma implies or drives us to a kind of imperialism that must end as all others have ended, though its purpose be different, let them make the most of it, for this time we have no other choice, and will not have that one much longer unless we make it now. We must ask the world that surrounds us not merely to accept our power, but to accept our purpose of peace and freedom for our own sake as well as its own, and we must use our power to that end.

So, let us put an end to compromise, appeasement and retreat, and dare to repudiate all that has been done to that end and in that name. Let us stop the erosion of our material and moral resources at home and abroad in the hopeless struggle against the pervasive conspiracy to sterilize and dissipate them, which is reflected in the confusion of our domestic situation and the futility of our foreign policies. Let us offer them freely to the world for a price that is worthy of our power and our purpose. Let us deny them to anyone who is using them, as every other nation is today, for any other purpose. Let us demand that whatever else the United Nations may do, it must deal first with the fundamental issue of disarmament without further delay or evasion. If we believe that it is not and cannot be the kind of international instrument to which

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The Survival of a Free Economy

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the police power for maintaining world peace can safely be entrusted, let us face the fact ourselves and confront the world with it frankly and fearlessly. If we should find that England has so far slipped or been shoved down the slope of collectivist impotence, or is so hopelessly crippled by the problems of insolvent imperialism and militarism that she is unwilling or unable to make more than a sleeping partnership with us in the enterprise, let us prepare to undertake the task of policing the world for peace ourselves alone. Let us then implement the purpose promptly and plainly in three specific ways:

Let us first offer the utmost capacity of our economic power for reconstruction freely to every people who will undertake to abolish all national military expenditure and disarm down to the level of the local constabulary. Let us, secondly, demand the unlimited right of continuous inspection and control of every industrial operation and process and every public policy which may have the most remote relationship to armament and warfare. And, finally, let us make, improve and keep plenty of our best and biggest atomic bombs for that imperative purpose; let us suspend them in principle over every place in the world where we have any reason to suspect evasion or conspiracy against this purpose; and let us drop them in fact, promptly and without compunction, wherever it is defied.

If this seems too daring or idealistic a destiny for any nation, even America, to embrace, I admit it could happen only once in history; for the dreadful fact is that only we could do it at all; and we can do it only now, today, if we have the understanding and the will. Everything else the American people have—impartiality and purity of moral purpose, and limitless potentials of economic power that will be realized only if we are willing to employ them for this purpose.

Disarmament — not merely of men and nations but of governments—is the fundamental and imperative condition not only of peace, but of freedom and abundance in the world today, and the most momentous circumstance in human history is that at this instant of time—never before and never afterward — America, and only America, has the power to impose such disarmament, and perhaps forever remove for mankind the curse of Mars and its inseparable companions, poverty and tyranny.

Military disarmament is not enough. We must have political disarmament, too; we must ultimately deprive governments not only of the power to attack other governments but to oppress, exploit and plunder their own people. Yet militarism is always an expression and a weapon of that gigantic modern engine of jobbery and robbery which is unlimited government, and it will be a long step toward economic freedom and prosperity, as well as peace, if we can compel the unlimited governments of the world to stack their arms and turn their swords into tractors. Unless we can do that, as we enter the age of atomic alchemy one can see on the road ahead for America no hope of preserving economic freedom, or of realizing the peace and plenty which our scientific accomplishment and productive power make possible in a free economy. One sees rather a nation and a world deeply divided against itself, a world which, through cowardice, stupidity and treachery, becomes day by day less and less free and day by day more and more slave to the frustrations and fears which unlimited government and the burden of militarism impose upon the life, work and thought of men everywhere at home and abroad.

America and all that she signifies in human welfare and progress will finally be forever erased if she cannot and does not mobilize, manifest and put forth the full moral and economic power which she can now command to oppose the destructive forces that seek to undermine and dissipate her purpose and her spirit, and compel acceptance of the ideal of freedom and peace to which we assumed her living sacrifices were dedicated in the war we so recently thought we won.

"It is for us the living, to be dedicated to the unfinished work which they who fought so nobly advanced. It is for us to be dedicatet to the great task remaining before us—that from these dead we take increased devotion to that cause for which they gave the last full measure—that we here highly resolve that this nation, under God, shall have a new birth of freedom. . . ."

NY Stock Exchange Seeks Data From Members

The New York Stock Exchange, in a notice to member firms on March 14 stated that the Exchange is desirous of obtaining information concerning the origin of all orders in stocks executed on the Floor of the Exchange, and the cooperation of member firms carrying customers' accounts has been solicited in compiling the necessary data. The notice, issued by the Department of Member Firms, through Edward C. Gray, Director, went on to say:

"The week of March 24, 1947, (March 24 through March 29, trade dates), has been selected for this purpose and all member firms carrying customers' accounts are requested to supply the following information for that period: (**Do not include** transactions effected for **omnibus** accounts of out-of-town member correspondents.)

(1) Total number of transactions; (2) Total number of shares bought and sold (combined); (3) The number of transactions and the number of shares representing full lots; (4) The number of transactions and the number of shares representing odd lots; (5) A breakdown of the above data by the State of origin. The State classification should be determined by the place where the customer is when he enters the order, if possible, or the customer's current address of record.

"(Transaction emanating from customers outside the United States should be listed under the name of the country of origin.)

"Please note that this request calls for a reply from each firm to which it is sent. A form for reporting this information to the Exchange is attached with a duplicate for your own records."

FIC Banks Place Debs.

A successful offering of two issues of debentures for the Federal Intermediate Credit Banks was made March 18 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $20,015,000 1.05% consolidated debentures dated April 1, 1947, and due Oct. 1, 1947 and $41,405,000 1.10% consolidated debentures, dated April 1, 1947, and due Jan. 2, 1948. Both issues were placed at par. Of the proceeds, $49,725,000 were used to retire a like amount of debentures, maturing April 1, 1947 and $11,695,000 will be for new money purposes. As of April 1, 1947, the total amount of debentures outstanding will be $353,440,000.

The Slump Psychosis

(Continued from first page)

applies to many other industries. In dozens of company reports, we read that the volume of orders is higher than ever before in peacetime but that shortages of certain materials and skilled workers prevent still higher operations. Most embarrassing of all is the bottleneck in railroad cars but it is only one of many similar bottlenecks. Has there ever been a slump in an economy characterized by such pronounced shortages and an abundance of money?

The Arguments of the Bears

How do the pessimists expect the slump to materialize? Let us examine the arguments.

(1) The Rise in Inventories: The continuous rise in inventories since V-J Day is considered by the pessimists as a very unhealthy development. Yet, it has been statistically proven that the relation of industrial inventories to deliveries is now better than before the war. In the retail field, the department stores are known to have reduced their orders sharply since last Fall although their sales continue to compare favorably with the previous year. Such caution is certainly not an unhealthy development. Nor is it surprising. Where is the businessman who would dare to accumulate unneeded inventories on a speculative basis when every day somebody else predicts a recession and a decline in prices? The only surprising fact (and a proof of the vigor of the boom) is that business is doing so well in spite of all these dire predictions and in spite of increased caution since last Fall. To be sure, inventories would be too high if there should be a serious decline in business activity; they are always too high in a depression. But they are not too high if business maintains its present volume. The inventory position is therefore not a source of potential trouble although it could intensify a downswing if it should be brought about by other factors.

(2) The High Price Level: The pessimists argue that the price level is too high and has to come down in order to create a healthy basis for a long period of prosperity. (With surprising and somewhat frightening unanimity, the pessimists predict a long-lasting period of prosperity, once the healthy "shake-out" has taken place.) But it is quite necessary to make a clear-cut difference between commodities prices and those of industrial goods. Prices of many commodities are indeed unduly high and will eventually come down a good deal. But this decline is unlikely to occur as long as we ship large quantities of food to a hungry world and as long as we use unprecedented quantities of copper, lead, cotton, etc., in an unparalleled industrial boom. The eventual decline in commodities may well be relatively slow and need not be similar to the break of 1920; then, by the way, there was no support for agricultural prices as has been promised by the government now. Such a gradual decline would be quite healthy and need not interfere with general prosperity. Agricultural products declined gradually in the "twenties" without impairing our prosperity. What about industrial prices? They are unlikely to come down with a bang. Wages and other costs have risen sharply, primarily in consequence of the monetary inflation during the war. Even now, we are not pursuing a policy of deflation and are unlikely to follow such a course in the future. Does anybody expect a policy of large-scale wage reductions to be feasible in any foreseeable future? Thus, industrial prices can come down only through one (or a combination) of the following causes: increasing competition may cut down profit margins which are now quite high in many cases; technological progress will reduce costs over a period of time and lower commodities prices would have the same effect. All these factors will gain increasing importance, the more we return to a state of normalcy. But this is a slow and gradual process and will be offset to some extent by contradictory forces, e.g., new wage increases. For all these reasons the decline of industrial prices in general cannot be rapid. Only a deliberate deflation, which is extremely unlikely, could turn it into an abrupt and severe drop.

(3) Buyers' Strike: Much is heard about growing buyers' resistance to the high price level. One reads that it has caused a severe decline in the price of furs and other luxury goods. But these things were at an absurd level due to the wartime inflation and are certainly not characteristic for the economy in general. Surely, consumers become more choosy with the increasing supply of goods. But the most important barometer, the sales of department stores, do not show signs of a buyers strike. The increase in sales in recent months (10-15% over last year) corresponds almost exactly to the increase in national income. There seems to be a shift in sales from soft goods to heavy goods but the total sales volume surely does not show a buyers' strike. We see now in many fields that marginal producers, who could prosper only under abnormal wartime conditions, are being squeezed out of business due to the return to a more normal state. That is only a natural development, however painful it may be for many individuals.

(4) The Foreign Situation: Many people fear a slump due to increasing tension between the Western powers and Russia. Is the situation really alarming? If Great Britain has been severely debilitated by the war, how much weaker must Russia be who had to fight Hitler's armies for four years inside her own country and endure an unprecedented ordeal of devastation. Observers who have been able to look behind the "iron curtain" fully confirm the appalling state of Russia's economy. Far from provoking war, our firm policy is likely to call the Russian bluff and ultimately lead to a healthier foreign situation.

False Analogies

We have now a veritable slump psychosis. In the midst of unparalled prosperity, many people are extremely jittery. Why? The main reason seems to be the remembrance of what happened in 1920-21. But this analogy is false. The crash of 1920-21 was caused by a policy of deliberate deflation (high interest) of the Federal Reserve System which hit an economy characterized by over-speculation and over-confidence. Now we have neither a deflationary policy nor over-speculation and over-confidence.

Never before has there been a depression in the face of such powerful boom factors as urgent demand for cars, houses and producer of goods (accumulated not only during the war but already in the "thirties" when production in many heavy industries was subnormal), an abundance of money and an interest level which is at a record low. The demand for durable goods is so enormous that it should easily offset any decline in the soft goods. But will there be such a decline? It may be true that the demand for soft goods since the end of the war was to some degree abnormally high. But the decline after the satisfaction of this replacement demand may be much less pronounced than the pessimists assume. Return to more normal market conditions means increasing competition which will raise the buying power of the consumer dollar, thus allowing the consumer to buy more soft goods for his money.

Some pessimists argue that industry cannot go on for long expanding and modernizing its plants at the present rate, which is about double the dollar total in the best pre-war years of 1929 and 1941. But such an expansion and modernization movement may go on for years. The pessimists also overlook the fact that only shortages of materials and workers prevent many durable goods industries from expanding their production much more; foremost among them is the highly important automobile industry.

The shortages to made up in housing are also enormous. But will not the high costs prevent a full-fledged housing boom? A careful study about the relation between building costs and building activity by the Department of Commerce ("Current Business Survey" of November 1946) came to the following conclusion: "The study of changes in building activity seems to exemplify the thesis that business advances by expectation of gain and that high prices alone do not discourage builders." Not enough attention is given to the fact that low interest rates to some extent offset the high costs of building.

All in all, one can foresee a period of adjustments and growing competition, but no general slump in business activity. Some lines of business may become less busy than recently but many others are only waiting for an opportunity to expand their production. It is of particular importance that high activity in the heavy goods industry has a multiplying effect throughout the economy. That present industrial activity (and national income) is extremely high compared with pre-war figures is not a reason for pessimism. Every great war in the past has speeded up our economic development and put industrial output and national income on a much higher level.

The Stock Market

When investors and speculators are pessimistic and nervous, earnings are capitalized at a low ratio because of fears that they will not hold up. This happened in 1932, 1938 and 1942. We are again in such a period. Many leading companies with excellent finances are capitalized at only 3 to 4 times their present earnings. Earnings could decline sharply and present prices would still appear low. Such a pessimistic attitude can change quickly as we know from previous occasions. The bears should take a warning from recent events in the commodities market. Last Fall, after the break in the stock market, many people became bearish for commodities and went short. They had to pay dearly for their bearishness. Something similar may happen in the stock market one of these days. When this "best advertised of all depressions" will fail to materialize, when the pessimistic forecasters have to postpone its beginning from one month to the other, when industrial earnings and dividends will remain high, then the present sentiment of pessimism must ultimately give way to a more constructive attitude.

Jellinek With Dreyfus, Jacquin

Dreyfus, Jacquin & Co., 61 Broadway, New York City, members of the New York Stock Exchange, announce that Ernest Jellinek has become associated with the firm as co-manager of the Madison Hotel Office, 15 East 58th Street.

The Outlook for the Stock Market

(Continued from first page)

The history of 1946 stock market levels illustrates very clearly the fact that expectation or hope regarding a future level of earnings are of greater importance than actual current earnings in determining the level of stock prices. Thus it was possible to forecast at the beginning of 1946 that a low rate of earnings in the first half of the year would justify a level at sometime in the year as low as 165 in the Dow Jones industrial average but that such a low level was unlikely to be reached unless serious interference with hopes for a much higher level in the second half of the year occurred. Actually, the much higher level of earnings became an actuality in the second half of the year and particularly in the fourth quarter but before they became sufficiently apparent the serious interference with hope had occurred and 165 in the stock average had been reached. It should be noted that the stock market declined to this lower level despite the continued presence of such highly touted bullish factors as the pressure of funds, the favorable ratio between stock and bond yields, a steady flow of dividend increases and highly reported earnings.

It also was reasonable to forecast that sustained hope for much higher earnings and dividends late in 1946 could not only maintain a high level of stock prices but also produce an even higher one if 1947 seemed to promise a sustained level of high earnings and dividends. The much higher level of earnings and dividends was attained in the last quarter of 1946 and is not only being maintained so far in 1947 but is even being improved upon. Is it the lack of the belief that these earnings can continue that is keeping the stock market from translating these earnings and dividends into a good deal higher prices than currently prevail?

It is not enough to say that, despite the substantial decline in the stock market in the fall of 1946, the 1946 closing level of 177.20 in the industrial average is an historically high one that has been exceeded in only five of the 49 years of previous market history. Against this must be set the fact that the current rate of earnings has been equalled or exceeded in only two of the past 25 years.

Earnings 1947 vs. 1946

As far as can be determined from this point the earnings on the Dow Jones average of 30 industrial stocks for the calendar year 1947 seem certain to exceed those of 1946. Enough data is at hand to indicate that the 1946 earnings will aproximate $12.50 very closely. The following table gives actual and estimated figures for 1946 and the first half of 1947:

(By Quarters)

	1946		1947
First	$1.86	First (est)	$4.25
Second	3.15	Second (est.)	4.25
Third	3.58		
Fourth (est.)	4.00	6 mos.	$8.50
Total	$12.59		

If earnings in the first six months of this year are between $8 and $9 a share, barring another round of crippling strikes, then second half earnings would have to decline as early as the third quarter to around $2.25 a quarter from the present rate of above $4 a quarter to bring 1947 full year earnings down to the 1946 figure. Thus we are apparently presented with the happy prospect that earnings for the calendar year 1947 will exceed those of 1946 by some margin and possibly by a rather wide one. On the strenth of dividend declarations in the first two months of this year it seems even more certain that dividends will exceed those paid in 1946 and again possibly by a good margin.

Only five of the thirty issues in the Dow Jones industrial average were closely associated with the enormous boom in consumers nondurable goods in 1946 and the consequent sharp increases in the earnings of these issues in that year. Actually these five issues account for only 8% of the present total price of the average. Thus the expected decline in the earnings of these issues and the possible further decline in their already deflated prices can have but a limited effect on the level of the averages.

On the other hand the four chemical issues alone account for 29% of the total price of the average. The three oil stocks make up 7.5% of the average. If to the chemicals and oils we add the other issues of industries that do not in themselves initiate important cyclical movements we find that approximately 58% of the issues in the average are in the category where substantial declines in earnings from the present high levels are unlikely unless impacts from outside these industries are to be expected.

This serves to focus attention on the eleven issues in the average that are in the heavy industry category or are closely allied with it and which constitute 34% of the price level of the average. It is in general these very issues that are chiefly responsible for the sharp gain in the earnings of the average that began in the second half of 1946 and as continued into the first quarter of 1947.

This group likewise provides some of the outstanding examples of stocks that are historically low in relation to the current rate of earnings and that are among the largest apparent contributors to the overall low level of the industrial average in relation to its current rate of earnings. The fact that most of these same issues would have to lead if there were to be a sharp downturn at some time in the second half of 1947 from the present high rate of earnings may provide the explanation of the distinctly limited response to date to those same earnings.

Lack of Response to Favorable Factors

At the recovery high of 184.49 reached on Feb. 8 the industrial average had advanced $21.37 since the low of 163.12 reached on Oct. 9, 1946. The large part of this four-month recovery was accomplished after Nov. 22, when the average again receded to 163.55.

The $21.37 advance represents a 43% retracement of the $49.38 decline from May 29, 1946 high of 212.50. So far the average has regained less than a half of its preceding loss despite a veritable barrage of favorable developments. Very nearly everything has occured in the last five months that market and business observers were hoping for last spring and last summer. The extra ordinary gains in earnings and the even better than anticipated increases in dividends have already been commented upon. In addition there have been:

(1) The ending of price controls.

(2) Various relaxations in margin and credit requirements.

(3) The election of a sizable Republican majority to Congress and the consequent probability of:
(a) Some changes in the labor laws.
(b) Some tax relief.
(c) A more favorable attitude towards business.

(4) Evidence of a less aggresive attitude on the part of large segments of labor.

(5) For a brief period at least, a more conciliatory attitude on the part of the Russians.

The recovery in the stock market as measured by the industrial average might not appear subnormal in itself, despite the length of time consumed in effecting it, but it begins to appear distinctly subnormal when it is related to the background of favorable news outlined above. The difficulty seems to lie in the fact that certain trends have failed to maintain the favorable direction that they seemed to have begun at the turn of the year and that certain new factors that weigh on the unfavorable side have recently appeared.

Unfavorable Trends and New Factors

It is interesting to note that the week of Feb. 1-8, in which the market reached the peak of the recovery to date, coincided very closely with the maximum of optimism concerning a fall in the cost of living, a halt to the overall upward movement in prices and a belief in the likelihood of a period of quite peaceful labor relations and a consequent long period of uninterrupted high production with accompaying high earnings.

Since the beginning of February there has been witnessed a rise in the Dow Jones index to commodity futures to a new high level and an increase in the BLS wholesale price commodity index to another new postwar peak. The latest index of farm product prices reveals that they are back well above their November peak. These and other developments affecting the cost of living index unfavorably have come at a time when the nation appears on the verge of a sizable boost in that important factor in the cost of living, rents.

Doubts consequently have arisen as to whether wage increases to be granted in the steel, automobile, electrical equipment, rubber and other industries either as limited as had been hoped or will be negotiated with as little disturbance as had been expected. At the same time there has come to light a good deal of evidence that the Congress will be loathe to pass labor legislation as restrictive as many on the conservative side had counted upon.

Not only have some of the important trends either failed to become as favorable as had been hoped or have taken unfavorable turns but a new factor on the unfavorable side of considerable importance has finally come into the open. That is the critical economic position of the British. The recent publicity on this subject has served to direct thinking away from an overly intense concentration upon our domestic problems and towards the world economic situation. It is a condition that cannot be viewed with any great degree of comfort.

The far reaching implications of the new direction for American foreign policy projected in Truman's message to Congress certainly suggests another period of strained relations with Russia.

Relation to the Stock Markets Technical Position

When consideration is given to the heavy volume of stock traded in the eleven month period of Oct. 2, 1945 to Sept. 3, 1946 between 183 and 213 in the industrial average it is not surprising that the stock market topped out when it first got back into this area in the first week in February. What was perhaps surprising was that it topped out after such a meagre penetration of that area. Only a very small percentage of the 358,300,000 shares that changed hands in that eleven months range were traded between 183 and 185. The answer lies in the relatively low volume on which the stock market reached the bottom of this very heavy supply area and this lack of volume tells a story in itself.

Not only does the stock market have just above it the heavy supply created during the top area of the last three months of 1945 and the first eight months in 1946 but it also faces the probality of substantial additions to the supply of stock if it should advance well into that area at anytime in the next few months. Even the limited recovery witnessed so far has brought to the market place a moderate number of new common stock financings. Further recovery undoubtedly would witness large additions to the supply from this source. Various changes in the margin regulations have equipped the stock market to handle these offerings in much better fashion than was the case last spring and summer but this does not belie the fact that they represent additions to the supply of stock the market must absorb if it is to make any substantial further progress. There also is the question of foreign holdings of American securities adding to the supply. There now is evidence that selling from this source is on the increase.

It obviously will be extremely difficult for the stock market to make any appreciable dent in the supply area above it without the aid of developments calculated to encourage a substantial volume of buying. Actually the opposite appears to have been the case in the period since Feb. 8. Definite technical evidence has appeared of at least some withdrawal of buying from the market. In view of the developments touched on earlier this is not altogether surprising. But it does serve to raise the question of whether the stock market has not got a very effective ceiling above it for a least some months to come.

That there is such a ceilling for the market as a whole seems to be the case. Uncertainly about the commodity price level, how long the present level of earnings can be maintained, concerning the present level of inventories, regarding the outlook next fall, which directly affects the very sizable class of "six months buyers," and uncertainty over the foreign economic and political situation all seem calculated to restrain general buying to a degree sufficient to make it difficult for the stock market to advance substantially beyond the level recently witnessed. The question also now must be raised at to whether a sizable part of whatever tax relief the individual may receive from the Federal government will be swallowed up by increasing state and municipal taxes. It is significant that the very small number of issues which have been able to make substantial progress in recent months, and in some cases to make new highs, have almost always been ones with growth trends strong enough to warrant a high capitalization of earnings even in a period of considerable general uncertainty.

The Meaning of the September Break

Whereas the break in the stock market last September was widely heralded at first as a definite bear market signal, each month since then has winessed a growth in the number of observers who believe that the break was purely a technical phenomenon and did not forecast a decline in business, as it was initially supposed to do. Surveys indicate that the number in the latter school of thought are now in the majority. Which of these interpretations will prove to be corrected will only be determined definitely at some future date when the stock market has either again assumed a clear-cut bull trend or has redesignated its major trend as bearish by descending through the lows of last fall.

A somewhat different conclusion occurs to the writer, one which includes some parts of each interpretation. It seems possible that the break in September came when it did largely because of technical reasons and that if it had not been for such restrictive market regulations as 100% margins, the break might not have occured when it did. This does not imply that the break would not have come eventually but it does indicate that the break would have come much later than it did and run a much better chance of being an accurate forecaster of a business decline. To this observer there is a real danger of following a half truth if last Septemger's break is brushed aside as having no forecasting value merely because no signs of a business recession have as yet appeared.

Conclusion

The combination of the amount of stock overhanging the market and the restrains imposed upon aggressive buying by uncertainties over the foreign picture—with particular emphasis on Britain—and over what the level of business will be in the latter part of this year, as well as other factors, seem to put an effective ceiling on the stock market for a number of months ahead.

A market that cannot go up even when favored by every high earnings and very good dividends may do nothing worse than move sidewise, but it is far from removed from the danger of declining. The longer a correction of the present conditions of very high production, mounting inventories and an uncomfortably and dangerously high price level is postponed, the greater will become the possibility that the business adjustment be a painful one instead of a mild one.

If the correction should turn out to be serious, the present high level of earnings not only could not be sustained but would drop sharply. under such circumstances the chances of the lows of last fall of 163.12 in the industrial average and 44.69 in the rail average holding would not be good and a decline to a substantially lower level would be possible. Until there is much clearer evidence that the nine months bear trend of the stock market has been reversed such a possibility should be given serious consideration.

Lewis Ends Threat of March 31 Coal Strike

John L. Lewis, President of the United Mine Workers, on March 19 unconditionally complied with the U. S. Supreme Court order of the 17th, directing him to cancel the threat of another coal strike on March 31. Failure to comply with the court's directive would have subjected Mr. Lewis' union to a $3,500,000 fine, instead of the $700,000 imposed by the court. In reporting Mr. Lewis' action of yesterday, a dispatch from the International News Service further noted as follows:

"The United Mine Workers president, in a 20-word notice to Interest Department Secretary Krug, opened the way for Krug to call the mine operators and UMW representatives into negotiations on a new contract. It also assures peace in the industry until June 30, when the Smith-Connaly Act, under which the government seized the 3,300 bituminous coal pits last May, automatically expires."

With Merrill Lynch

(Special to The Financial Chronicle)

ORLANDO, FLA.—Thomas K. Ware is now connected with Merrill Lynch, Pierce, Fenner & Beane, 218 North Orange Avenue.

Henley-Filson Company

NORTH VERNON, IND.—The Henley-Filson Company is engaging in a securities business from offices at 218 Walnut Street.

Outlook for Government Bonds

A LOWER LEVEL OF BUSINESS ACTIVITY IN OFFING

(Continued from page 1648)
witness to the strength of our current position.

But we must not forget: All booms come to an end. And, all too often, it is an untimely end!

Take the total of national income mentioned before, a statistic which is so frequently trotted out. The 1946 increase over 1945 was solely the result of price inflations. Prices rose 14.1% above the 1945 level, whereas the volume of goods produced actually declined 12.9% in 1946.

Vulnerable Price Structure

Our price structure is very vulnerable all along the line. Prices have out-run current purchasing power. Reduction in current savings, withdrawal of past savings and increase of consumer credit are being used to bridge the gap—but there are limits to stop-gaps! The Bureau of Agricultural Economics at Washington is authority for the statement that consumer expenditures out of current income have increased from the wartime rate of 75% to about 90%. I personally doubt that this rate will increase much beyond 90% during the current year. I also doubt that past savings will be drawn on as heavily in 1947 as last year. This leaves a great gap to be bridged by consumer credit, if at all. This is especially true, because, as pointed out later, one may expect that savings deposits will continue to grow in 1947.

Many prices have risen out of reach of wage and salary workers. Between the fourth quarter of 1945 and the same period last year, wholesale prices of all commodities rose 33% while the cost of living rose 16.8%, the sharpest increases in our history. What makes these increases so serious is that the total of wages and salaries received during the period increased only 7%! Such a price structure is based on sand and it is only a question of time until it drops to a level more in line with realities.

Recent price increases in the face of stiffening consumer resistance are really ironic. If the present formidable barriers to consumption are raised further, the end is foredoomed.

While there is still a great deal of unfilled demand in this country, it is not as great as many people think. To take but one example, there were 25,142,527 passenger cars registered in the United States in 1946, which is only 9.33% under the number registered in 1941! This is a factual answer to the hot-air artists who have been loudly proclaiming that it will take years to get caught up with the demand for automobiles.

In the real-estate field, sales of residential property have dropped sharply in volume from a year ago, and for the first time in eight years there is a trend toward lower prices in many cities. To be specific, in a recent survey, 47% of the larger cities reported a downward real estate price trend although only 18% of the smaller cities had yet felt the decline in prices.

Without spending any more time, let me say that even the Republicans cannot repeal the business cycle. Its economic upheavals, financial losses, and downright savagery must still be anticipated and guarded against. So, although business is at a peak now, we must look forward to a lower level of activity. The only question is when. My guess is any day now! Certainly, by the fourth quarter of the year, if not before.

Tax Structure Burdensome

The effect of our crushing tax burden on the economy will become more apparent in the months ahead. Some of the New Deal and do-good economists have talked as if taxes were economically painless—that it makes little difference to the economy whether the individual spends his income or the government spends it. Anyone making such a claim is either a fool or a charlatan. Real economists are very much concerned because of the possibility that the heavy burden of taxes required to support our $37 billion spending budget may prevent a resumption of the dynamic growth of our country. In wartime, patriotism will carry unbelievable burdens; in peacetime, heavy taxes take the heart out of producers quicker than anything else.

For example, in 1946 a man with an income of $5,000 paid 173 times as much Federal income tax as in 1929, our last year of real prosperity before the war. On the same basis, a $7,500 man paid 120 times as much tax and a $10,000 man paid 49 times as much. To put the problem on a quantitative basis, total Treasury receipts were approximately 13 times as much as in 1929, but the national income on which the taxes were levied has not even doubled. From another angle, one-third of all income last year was eaten by taxes; this means, although some will dispute it, that the standard of living of our people could be increased 50% if, by a modern miracle, taxes could be abolished.

I do not have time this afternoon to pursue this problem any further, but clearly, taxes are too high and our Federal budget must be pruned. It is not too much to say that our solution of this budget dilemma will determine the very future of our country.

Government Securities

Now let us deal more specifically with the outlook for government securities. We will start with the most basic market factor which is, of course, interest rates. The wartime pattern of rates on government securities still holds. There is every reason to believe that there will be little, if any, change. The supply of liquid funds is very large and is more than ample to meet any foreseeable demands.

Other than refundings, the Federal government may not be in the market this year with new issues. Deficit spending has come to an end. The expansion of bank deposits, which has been going on for the last 13 years, has been reversed. Deposit expansion has been succeeded by deposit contraction. True, private deposits have increased, but their increase was more than counteracted by the decrease of government deposits.

In sharp contrast to demand deposits, savings deposits will continue to expand as long as employment and business continue at high levels, although, as you well know, the rate of growth has declined sharply from the artificially high wartime level. These increased savings create a real investment demand. And this will be at the very time the savings banks are going to have to replace their holdings of a number of railroad issues which are expected to become ineligible.

The demand for loans at commercial banks will level off when either prices or business activity begin to decline. The greatest increase that has taken place in the volume of loans in recent months has been in three to five year term-loans. It is doubtful that the volume of such term-loans will increase at the same rate in the future. Most banks realize the risks involved on such loans under present price and inventory conditions. More corporations may be expected to endeavor to meet their capital requirements through the sale of securities in the capital market on a longer-term basis, now that term-loan requirements and general interest rates are beginning to stiffen. Of course, a shift from term-loans to the bond market will tend to further stiffen interest rates.

But before you jump to any conclusions that rates may return to the old 4, 5 and 6% of happy memory, consider the utterly fantastic volume of liquid resources we have in the country today. Don't ever forget for one instant that we have left, after the deposit declines of last year, the enormous total of $166 billion of deposits and money. And, these $166 billion of "assets" are at the disposition of corporations and individuals and may be used or invested over and over again!

Also, this enormously expanded volume of deposits will be with us as long as the bonds are in the banks—and that looks like a long time. In this connection, debt redemption by the Treasury becomes of paramount importance.

Last year, from the beginning of the debt retirement program in March to the end of the year, the marketable debt was reduced by $23 billions. An additional $4 billions, it is estimated, will be retired during the first half of 1947. The amount to be reduced in the 1947-1948 fiscal year will depend on budgetary developments, but it is doubtful if it will be in excess of $5 billion. Clearly, future redemption will be only a fraction of the total redeemed in 1946. There will, however, be more selective redemption, namely, the shifting of bonds from the commercial banks to the more conventional long-term investors. Some $54 billion of marketable issues come due in 1947 and while only a small percentage, on the basis of our present budgetary outlook, can be redeemed, undoubtedly present plans are to shift some of them from the commercial banks to other holders.

More than 75% of the securities redeemed by the Treasury last year were held by the commercial banking system and the Federal Reserve Banks. In view of the concern the monetary authorities have expressed at the "monetization" of the public debt, it seems reasonable to expect an effort to pay off some of the commercial bank holdings through selling securities to others. The extent to which this is done, however, will depend on the business outlook.

To put it specifically, the policy the Treasury will adopt in its refunding operations will depend on business activity, and on the movement of commodity prices and bank loans. If the spiral between prices and wages should grow worse, the Treasury might be forced to offer securities to ultimate investors for cash in order to redeem bank holdings of government obligations and thereby effect a corresponding decrease in the total of bank deposits. Of course, as soon as the inflationary spiral had run its race and deflation had set in, the Treasury and Reserve authorities might be expected to reverse their policies.

On the other hand, a recession in business, with commodity prices dropping and the volume of bank loans leveling off, would probably cause the Treasury to withold offering any new securities to non-bank investors, and to rely primarily on any surplus that may be at its disposal and on funds accruing to the various trust accounts under its supervision to reduce maturing obligations held by the banks. In this event, bank deposit reduction through redemption of government securities would drop to a very low level. In fact, the monetary authorities might even sell bonds to the banks to increase deposits, if the deflationary trend should become serious.

New Municipal Issues

A word or two about the probable effect the coming flood of municipals, particularly the state issues, will have on the market for government securities may be worthwhile. There has been a great deal of concern that the large volume of offerings of such securities planned for the near future may depress the price level of the governments. For example, there has been quite a bit of talk that the Michigan issue sets a pattern and indicates a trend. Let us reflect for a moment on whether the Michigan rates will be the exception or the rule. At the outset, let me say that, weighing the various factors, it is my considered opinion that the Michigan pattern cannot be taken as conclusive proof of what return will rule on state and municipal issues.

When we look at the record, the first thing we notice is that, in the twenty years before 1940, the 48 state governments borrowed only some $4 billion, whereas now the total of veterans' bonus issues approved is $867 million and the total of those proposed is $2,781 million. If all these proposals secure legislative approval, this gives a total of $3,648 million to which might be added another $500 million for roads and other construction not covered by cash on hand, giving a maximum total of $4,148 millions of state issues to be absorbed by the market. While this is a sizable amount, it is not too important relatively, as it is just about what the Federal government is expected to redeem during the first six months of the year.

Of course, to these state issues we must add probable municipal and local district issues which are anybody's guess. But even though there is a large accumulation of such financing hanging over the market, when it is compared to the Federal debt of $260 billion it looks quite inconsequential. Truly, the Federal debt is the biggest thing in the world today! It has super-atomic proportions — and consequences!

Nonetheless, the increased supply of state and municipal obligations will have certain specific effects on the bond market. The important, and practical, question for you is how this new financing will affect the prices of (1) ineligible government bonds, (2) bank eligible governments, and (3) other high-grade obligations.

(1) So far as **ineligible** government obligations are concerned, the new state and municipal issues ought to have very little effect, if any. This will be primarily because insurance companies and mutual savings banks, the principal buyers of ineligible Treasury obligations, **will not enter the state and municipal bond market until the return on such obligations is higher than at the present time.**

(2) So far as **bank eligible** government obligations are concerned, a further increase in the return on state and municipal bonds could have some effect on prices of those issues. But such effect is bound to be very moderate as commercial banks are not likely to buy large amounts of state and municipal obligations because of their lack of marketability.

(3) The increased supply of state and municipal obligations will probably have an effect on AAA corporate bonds whose return should continue to firm.

So far as the **bond market in general** is concerned, it would seem we are warranted in drawing the following conclusions: (1) The yield on state and municipal obligations will continue to increase at a slow rate. (2) There will be a moderate firming in the return on AAA corporate bonds. (3) And, finally, changes in prices and yields of government obligations are not likely to be pronounced either way.

In closing, let me say that, as a nation, we are committed to money management and debt management. The two are interrelated problems; they cannot be divorced. Any analysis of the outlook for government securities has to be based not only on the fiscal outlook but also on the business outlook, as the actions the monetary authorities will take will be determined largely by business developments. It is for this reason that I devoted such a large part of this talk to the outlook for business and prices.

Conclusions

Briefly, I would summarize my conclusions as to the economic factors as follows:

(1) Our commodity price structure is quite vulnerable. (Declining prices ordinarily would presage a business recession. Under present conditions of large, unsatisfied demands in many consumer lines, however, prices bringing commodities within psychological reach of those who need them may be the means of keeping business activity at a satisfactory level.)

(2) Real estate prices, particularly for old houses, seem to have passed the peak.

(3) Agricultural prices, despite the current strength caused by heavy purchases for export shipment, have probably passed their peak.

(4) Inventory accumulation, which has been quite large, is drawing to an end. This means that the inventory boom is about over.

Because of the foregoing factors, most competent observers expect a recession in business activity later in the year.

The financial factors may be summarized as follows:

(1) The monetary authorities retain their tight control over the money and capital markets.

(2) Interest rates, particularly the short term rate, may be expected to stiffen somewhat more, but there will be no spectacular developments, especially as far as government securities are concerned.

(3) So far as can be foreseen now, the wartime government security rate pattern will be maintained through the year.

(4) I do not anticipate any increased Federal borrowing, although there may be some securities offered ultimate investors to redeem commercial bank holdings of governments.

(5) I do not expect the offerings of municipals to adversely affect the government bond market.

NY Clearing House To Close Saturdays Beginning April 5

In connection with the recent amendment to the General Construction Law of New York, which permits the banks to close Saturdays, the following resolution was adopted by the members at a meeting of the New York Clearing House Association on March 13:

"Resolved, that the New York Clearing House close on Saturdays beginning April 5, 1947, subject to such regulations as the Clearing House Committee may consider necessary, due notice of which will be given by the Manager."

An item bearing on Saturday closings in the New York Reserve District appeared in our issue of March 6, page 1294, and the year-round closing of the Boston Reserve Bank was noted in these columns the same week, page 1295. The signing of the bill providing for a 5-day bank week in New York was likewise reported in the March 6 issue, page 1308.

Schram Scores Margin Restrictions

(Continued from page 1653)

which the prospective buyer and seller can exercise informed judgment.

"On the other hand, less well-known non-registered or unlisted securities, with respect to which such data are generally not available to the public, between January, 1946, and February, 1947, had collateral value with the banks for the purpose of purchasing non-registered securities.

"The regulations in effect between January, 1946, and February, 1947, tended, as many persons foresaw, to drive prospective investors and speculators from the better regulated field into less regulated or unregulated ones. One consequence was a more excited speculation in commodities and real estate. The flow toward the less regulated field during the time collateral or loan values of registered stocks were eliminated was noticeable in the predominance of non-refunding primary offerings of stocks which are unlisted.

"The credit regulations may have made it earier for an unseasoned company to sell to the public shares which could not be listed on a national exchange. The regulations also had the effect of making it more attractive for a company to keep its securities unlisted than to list the securities on a national securities exchange, thereby, possibly in some instances, not disclosing vital information to the stockholders, which was one of the principal objectives of Congress in passing the Securities Acts.

"The action of the Federal Reserve Board in amending its rules, as of Feb. 1, 1947, to permit the lending of 25% of the market value of listed securities for the purpose of carrying such securities was no more than a half-way measure. The owners of listed securities are still under a handicap that is not imposed upon the owners of non-registered securities; and the Federal Reserve Board's policy in this respect is still encouraging the transfer of capital from listed securities.

"Attention has frequently been drawn to the discriminatory aspects of the situation, wherein listed securities, which include the choicest investments available anywhere, are severely restricted in their use for collateral purposes while non-registered securities may be freely used for such purposes.

"The discrimination is made no less onerous or unfair by the circumstance that the Federal Reserve Board's authority does not extend beyond listed securities. Let us examine, briefly, the credit position and see whether such a severe limitation as is now imposed upon listed securities is warranted.

"As of Jan. 31, 1947, the members of the New York Stock Exchange were extending credit to their customers on listed securities, other than governments, in the amount of approximately $464,000,000. This represented 54/100 of 1% of the market value of securities listed on this Exchange, not including governments. The ratio of bank loans contracted by member firms to total value of securities listed on this Exchange, not including governments, was the lowest since 1931."

Concerning relations with the SEC, Mr. Schram said: "The Exchange continues to enjoy a harmonious relationship with the principal Federal regulatory agency, the Securities and Exchange Commission. The Commission shows, increasingly, an awareness of its obligation, under the law, not only to enforce the law in the public interest, but also to encourage honest business. In its annual report, recently made public, we find this refreshing recognition of its functions: 'The fields regulated by the Commission are complex and they are at the heart of the financial life of the American economy. The key to the most effective regulation in this field is to carry out the policies of the law with a minimum of interference with the normal operations of the facilities of securities distribution and trading.'

"The Commission has initiated discussions looking to the possible advisability of asking Congress to make changes in the securities laws which such changes, in the light of experience, may appear desirable. To that end the securities exchanges and other sections of the securities business have been invited to submit suggestions. There is here recognition of the fact that a law, however admirable in its objectives, may require refinement and improvement as experience is gained in practical administration and as conditions affecting a regulated business may change."

Mr. Schram concluded his report by saying:

"The position of the securities industry in our nation's economy gives Exchange members and member firms an excellent vantage point from which to view the efforts being exerted to return the world to the ways of peace.

"Every day it becomes clearer that the United States is destined not only to act as a balancing influence among conflicting political interests, but also to contribute heavily to fiscal and trade rehabilitation in some of the more severely affected areas. As a people, we have already assumed great responsibilities in these fields. Few can doubt that self-interest as well as humanitarian dictates require that we shall add to them. From a broader perspective than was possible while the war was being fought and in the immediate period of readjustment, it may now be determined that private capital, rather than governmental resources, should assume the task of reviving world business.

"In order that the United States may exercise leadership in the reconversion of international trade and commerce to the uses of peace it is essential that our domestic economy be kept sound. This will require wise direction of our tax policies and an aggressive control of government expenditures. With application anew to these all-important measures, I quote, in part, from the section of my report a year ago:

"'The establishment of the wisest conceivable policy for the management of our national debt is a task for the best intelligence and statesmanship in this country. It is no exaggeration to say that the welfare of every man, woman and child is involved. Debt policy cannot be divorced from tax policy and other fiscal policies. Their inter-relationship is such as to require a coordinated program. The problem is a grave one and should be faced courageously without permitting any single group, whether government or private, to impose its views or wishes regardless of the implications and consequences to the economy as a whole.'

"No clear indications have appeared thus far of the development of any full and comprehensive national policy dealing with taxes and debt. In fact, continued conflict of opinion, lacking evidence of any matured program, keeps our people in confusing uncertainty. Advocates of debt reduction as an immediate goal continue to oppose the proponents of tax reduction as a primary requirement of these grave times.

"The national budget must, of course, be first brought into balance and kept there. Both the balancing of the budget and the reduction of debt depend upon the inflow of tax revenue. The maintenance of a strong and healthy national economy requires that tax rates be as reasonable as possible.

"It is important that, in the development of a tax program, debt reduction be included as a part of fiscal planning which shall strive to lessen the burden upon incomes. Excessive taxation for any purpose, however, laudable, retards the attainment of those objectives which our economy seeks, lower prices, enlarged employment, widened trade movements and stable returns on capital used in production. Experience has proved that intelligent tax reductions have actually resulted in increased government revenue, and there is no reason to doubt that business would respond at this time to the stimulus of a reasoned, sound policy in this respect."

Result of Operations

According to Mr. Schram, the Exchange maintained its strong financial position during the year. The accompanying statements of income and expense show an excess of income, after taxes and after depreciation charges, of $606,460 for 1946, compared with $856,026 for 1945. Initiation fees of $248,000 in each of the two years are treated as contributions to the capital investment of the Exchange and are not included in the above totals.

The net increase in the capital investment accounts for the year, after crediting the net profit and initiation fees and after adjustments and recoveries of prior years' taxes, was $865,885, bringing the total of these accounts as of Dec. 31, 1946, to $26,633,408, compared with $25,767,523 at the end of the previous year.

Assets and Liabilities

The net assets of the Exchange as of the end of the year, after deduction of all liabilities and including real estate at cost less depreciation, consisted of the following:

Land	$9,551,424
Buildings, improvements and equipment (net)	7,568,286
Bonds deposited under franchise and deferred charges	71,253
Net current assets	9,442,445
	$26,633,408

The land and buildings are, of course, debt free. The net current assets are represented principally by holdings of short-term U. S. Government securities, which totaled $8,252,020 par value as of Dec. 31, 1946. Approximately $3,300,000 of the government securities are held by the New York Stock Exchange Building Company and represent, in effect, a funding of part of its depreciation charges for the purposes of future replacements and improvements.

Income

Total income in 1946 was $8,146,443, an increase of $636,593 over the total of $7,509,850 in 1945. Dues of members were at the same rate in both years, the small increase from this source being due to the return of the members previously in military service whose dues were waived during their service period. Charges to members assessed in relation to the use of the facilities of the Exchange constituted the largest portion of the Exchange's income. The principal such items were the charge of 1% of net commissions, $1,589,699; Stock Clearing Corporation charges, $1,567,894; telephone spaces and other floor charges, $447,972; ticker service, $419,425; and quotation service, $357,997. Each of these items showed small increases over the preceding year.

Other principal items of income consisted of rents from tenants using space not required for Exchange purposes, $421,265, the increase of $95,000 being ascribable to the improvement in the demand for office space in the downtown New York area which resulted in greater occupancy of the 20 Broad Street building; ticker income from other than members, $170,967; and listing fees, $1,773,990.

The listing fee income compares with a total of $1,718,661 for 1945; collections from this source in both years were substantially above the average for the last five years. During the year, the Board of Governors revised the listing fee schedule, requiring that all newly listed stock issues be listed on a continuing fee basis and reducing the fee for the listing of shares in excess of 2,000,000. These changes should tend to stabilize the Exchange's income by spreading payments over a period of years, although the results will not be fully evident until a substantial number of companies have been listed on this basis.

Expenses

Total expenses increased during the year at a greater rate than income. Expenses, before depreciation charges, were $6,982,576 in 1946 compared with $6,090,458 in 1945. After adjustment of these totals for reduced amounts of Federal and State taxes payable, the increase of other expenses between the two years was $1,178,000, or approximately 20%.

The principal increase was in salaries and wages which totaled, including bonuses, $3,808,101 in 1946, against $3,189,988 in 1945. The total number of active employees of all companies was 1,296 as of Dec. 31, 1946, an increase of approximately 12% over the total of 1,160 as of the end of the preceding year, the increase being accounted for principally by the return to our active employ of employees on leave of absence while in military service. Two general salary increases were made during the year, bringing the average salary rates at the end of the year approximately 25% higher than at the beginning of the year.

Actually, the full annual increase in expenses during the past year is not completely reflected in the expense totals for 1946, inasmuch as various changes—particularly the general increases in salary scales—were not in effect for the entire year.

Gratuity Fund

The program adopted in 1941 for the reduction of the Gratuity Fund surplus to a maximum of $500,000 by the use of the principal of the fund to offset the contributions payable by members was completed during the year. When the constitution was amended in March, 1941, to provide for this distribution the net worth of the fund was $1,927,824. In the 5¾-year period during which there were no net contributions by members on the death of other members, a total of $1,780,000 was distributed, including net earnings on the fund and appreciation in the values of securities aggregating $365,000. As of Dec. 31, 1946, the net worth of the fund, valuing securities at market, was $525,951. Beginning with the last quarter of the year, members were again billed for gratuity contributions.

Advertising and Information

Expansion of the Exchange's advertising program resulted in a total outlay for this purpose of $798,108 in 1946, an increase of approximately $333,000 over the total of $464,731 for 1945, during which year the advertising program was carried on for only six months. When this program was begun in July, 1945, it was realized that its effectiveness would depend in large measure on its continuity over a long period of time. Much of the strength of advertising is cumulative and the consistent advertiser achieves an end result far in excess of what he could expect if he spent the same money at irregular intervals. This is particularly true of a program of information such as we have undertaken.

The increased expenditures during 1946 cover the expansion of the original campaign to include a selected list of national magazines and the cost of a new sound motion picture for the Exchange.

The Exchange's advertisements appeared during the year in some 430 newspapers in every State of the country and in 21 general, business and farm magazines. The total of printed messages exceeded 675,000,000.

During the year, the program received a volume of commendation and support unprecedented, so far as we know, in recent advertising history. It was singled out for favorable editorial comment by hundreds of newspapers and by numerous national magazines as well. Many government officials expressed interest and approval, both publicly and in letters to the Exchange. The reaction of business men has also been most gratifying, frequently expressed in a request for quantities of reprints of our advertisements. Most significant of all, perhaps, is the consistently high rating our advertisements have earned in readership surveys among the general public.

The Exchange also produced during the year, in cooperation with March of Time, Inc., a motion picture portraying the vital role of our market in our competetive enterprise system. The picture, entitled "Money at Work," will be widely distributed during the current year. A heavy demand for it already has been indicated. It is expected that, in 1947, a small theatre will be constructed adjacent to the visitors' gallery, in the 20 Broad Street building, where our film will also be exhibited. During 1946, the Exchange welcomed 145,900 visitors from 48 States and 29 foreign countries.

NYSE Short Interest Decreased to March 14

The New York Stock Exchange reported on March 19 that the short interest as of the close of business on the March 14, 1947, settlement date, as compiled from information obtained by the New York Stock Exchange from its members and member firms, was 1,015,331 shares, compared with 1,046,797 shares on Feb. 14, 1947, both totals excluding short positions carried in the odd-lot accounts of all odd-lot dealers. As of the March 14, 1947 settlement date, the total short interest in all odd-lot dealers' accounts was 70,111 shares, compared with 52,898 shares on Feb. 14, 1947. The report added:

Of the 1,346 individual stock issues listed on the Exchange on March 14, 1947, there were 50 issues in which a short interest of 5,000 or more shares existed, or in which a change in the short position of 2,000 or more shares occurred during the month.

The following table compiled by us shows the amount of short interest during the past year:

1946—	
Feb. 15	1,181,222
Mar. 15	1,015,772
Apr. 15	994,375
May 15	1,022,399
June 15	867,891
July 15	849,698
Aug. 15	732,649
Sept. 13	627,964
Oct. 15	757,215
Nov. 15	927,002
Dec. 13	893,178
1947—	
Jan. 15	798,081
Feb. 14	1,046,797
Mar. 14	1,015,331

Swedish Labor and Industry Disagree on Socialism's Progress

(Continued from page 1646)

(By AXEL IVEROTH)

dustries have also been mentioned as being in need of study. The commercial activities under debate are the banks and the insurance companies. The import and distribution of fuel, particularly gasoline, have likewise been considered as possible fields for nationalization.

As background to these investigations, which will not lead to any real changes until the Riksdag has been heard, it is important to bear in mind that in Sweden the system of public ownership has advanced much further than in the United States. From time immemorial the government has owned certain forest areas and waterfalls. The first railroads were built by the government and the main lines have always been under government management. In recent years more and more of the private lines have been acquired by the government and added to the state-operated system. Much of the water power has been developed by the state and such electric power stations have always been publicly managed. The postal service has been a public enterprise, of course, and many years ago the telephone and telegraph systems were merged under government ownership and administration. All radio facilities are also government-owned, while broadcasting is still non-partisan. Aviation has likewise been developed with government aid and the domestic air service is still partly government-owned. For taxation purposes the import and manufacture, but not distribution, of tobacco is a public monopoly. Liquor control is also in government hands in such a way that private profits are limited and not varied in proportion to sales. But in no instance has the state confiscated private property without adequate compensation and most of the public utilities enumerated above have been built or developed from the start by the public authorities. Recently, the government constructed a steel mill in Lapland, partly, to provide local employment and partly, to reduce the country's dependence on foreign outlets for iron ore.

95% of Industry Still Privately Owned

But the fact remains that while the state is now the largest single employer of labor in Sweden, it is chiefly so in the public utilities and service field, while no less than 95% of the manufacturing industry, whether for export or domestic consumption, is privately owned and operated. Between 1929 and 1937 the production capacity of Swedish industry was increased by 50%. In other words, during those eight years it increased half as much as it had grown ever since the beginning of the industrial era. Nearly 40% of the population now earn their living from industry, while only 30% do it from agriculture, forestry and fishing. Having an industrial tradition that dates back to the early 19th century, Sweden is by now a highly industrialized country and, in this respect, it is in a state of new expansion. It is the earnings of this privately-managed apparatus of production which have made possible in recent years the impressive Swedish social welfare reforms which are backed by all political parties.

In no wise does Swedish private enterprise object to cooperating with the government in national planning or to taking into consideration the general viewpoint. Since the political parties are based on the economic interests of various groups, industry, as a whole, is not represented by any one of them. On the contrary, it tries to steer its own course and gain support in all camps. Even in the Social Democratic Party there are many practical-minded people, particularly those trained in the labor unions and cooperative organizations. To them socialism represents a sort of good-natured Sunday morning mood which does not interfere with their attitude in practical matters such as bread and butter. They find it easy to understand the point of views of the producers and this makes it possible for Swedish industrialists to work even with Social-Democratic governments. That this will be possible in the future, too, the industrialists sincerely hope.

Industry Desiring to Collaborate

Industry certainly recognizes the necessity of contributing its own facts and ideas as to the economic policy to be pursued, as well as the necessity of collaborating within industry itself in order to prepare industry's own measures for the solution of the general problems of efficiency and expansion. Such a preparedness is absolutely necessary for a well balanced cooperation between industry and government. "This is far more productive," as the executive Vice-President of the National Association of Manufacturers, Walter B. Weisenburger, recently said, "than simply pointing out what's wrong and then letting the bureaucrats fumble so we can raise hell with **their** answers."

Instead of wishing to exclude the government from its deliberations, however, Swedish industry goes so far as to regard such cooperation as necessary. First, the government naturally should give private enterprise all possible help in securing information, such as reliable statistics and business forecasts, and in providing training facilities for young people, etc. In this connection many of the other government activities, such as transportation and communications, can be regarded as forms of public service, and no one in Sweden now advocates that such public utilities should be returned to private management. That private industry needs close cooperation with the government in the shaping of foreign commercial policies goes without saying, but such aid should be given with only the general welfare in mind. The state should, furthermore, be prepared to take action in possible economic crises in order to offset temporary complications such as unemployment or lack of purchasing power among certain groups of people due to unforeseeable circumstances. As a step in this direction a mixed investment council was formed a few years ago, permitting the government and private interests to compare ideas and exchange information about long-range projects.

Fears Over-Intervention

But, while private industry has no objection to such contacts or to government help, if necessary, in the reorganization of certain weak industries, it fears that such changes may be taken as an excuse for further government intervention where it is not really needed. State interference must not be based on the doctrinaire idea that such actions are always desirable or beneficial in themselves; the goal must not be to place under government control as much of economic activity as possible. The consequent centralization and growth of bureaucracy would be apt to cause a decrease in efficiency and such a result would not benefit either the government or the public. The government policy should therefore be to protect and promote decentralization wherever and whenever beneficial to the community as a whole and, above all, the government should provide private enterprise the best opportunities to function. It should give such freedom to all economical forces. Even the cooperative organizations, whether in production or distribution, do not want political control.

If the government, on the other hand, makes changes in a socialistic direction its chief aim, it cannot continue to support private enterprise in such a way as to make it work most efficiently. But that is exactly what seems to be the case in Sweden just now. Not only have investigations into certain so-called "weak" industries been begun, but also industrial and commercial activities of high efficiency, such as the sugar industry and banking and insurance, are subjected to committee studies, which thereby go much further than the efficiency motive requires. The main trouble, however, is that all these investigations take much valuable time and divert interest from more acute economic problems which have to be solved.

While the government by a constructive taxation policy could help to create a favorable climate for a free industrial expansion, a committee under the chairmanship of the Minister of Finance recently presented a new tax program which has caused a great deal of anxiety. As publicly stated by the Minister of Finance, the proposed estate and property taxes actually aim at further leveling off the distribution of property and at reducing the influence that goes with large fortunes. This means an indirect socialization, which is far more imminent than the investigation of possible nationalization. Private industry is especially worried by the proposed estate tax. For instance, people who have invested their savings in small private enterprises would find it extremely hard to keep their funds liquid enough to be able to pay such a tax and may therefore be compelled to borrow the money.

Danger of Overdoing Reform

Furthermore, after the war the government announced its intention to speed up social welfare reform. The measures already adopted have been desirable, but they have also been expensive and the question is whether the government has considered the risk that production, which creates the economic basis for all reforms, may not be able to keep up the pace. The government, to be sure, has intimated that as long as private industries remain efficient in production, there will be no move to nationalize them. But what is to be the test of such efficiency? The only real testing system is the free market, and certainly not a political bureaucracy which gradually restricts the play of the free forces which should balance each other.

An Anomalous Situation

Consequently, we have in Sweden an odd situation. We have a government whose main objective seems to be a planned economy, but which seems to lack a definite plan for such a policy. To the extent that it has tried to solve practical problems in economics, it has already made mistakes. Among the 27 points in the postwar labor program there was at least one assumption which has already shown itself to have been wrong, namely, that shortly after the war there would come a period of depression. Maybe it will eventually come, and it is good to know what to do then, but the Labor Government has failed to take into consideration all the aspects of a business cycle policy. Consequently, there was no preparation for what actually happened, a boom with full employment and even a shortage of labor. It is just as important to be prepared for a boom as for a depression, for if you cannot handle the boom, it will be more difficult to handle the depression. The strong demand for Swedish goods abroad, the large credits to foreign countries and the heavy investments at home have caused purchasing power to overflow all restraints. Industry as well as the opposition parties urged the government to plan and enforce a strong anti-inflation policy, and as a result the government, as soon as the 1947 Riksdag opened, invited all the leading opposition parties to discuss the danger of inflation.

In regard to industrial democracy the Swedish employers are favorably disposed. Last fall, agreements were made between the organized workers and the organized employers regarding the so-called "shop councils," the purpose of which is to give the employees more knowledge about the problems of the employers and their activities and to give them a better understanding of the work to be done. Swedish workmen have always been able to see that it is increases in production and improvements in productivity which are essential, and now it is a question of making this understanding more thorough. Management is anxious that employees should be content with their work. After that there can always be differences of opinion, and the deeper understanding between management and labor actually involves the fact that wages is something that has to be discussed from different viewpoints, because the basis of a free and efficient economic system is the balancing of the controversial interests of labor and capital with management representing the going concern as a whole. But management and labor are agreed that under no circumstances is industrial democracy to mean that the workers are to share responsibility in management.

(By TAGE LINDBOM)

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equitable distribution of the wealth produced, so as to bring about an improved standing of living for everybody, and (3) higher efficiency in production and more democracy in economic life. This program has two aspects; it was partly a transition program for the change from a war to peacetime economy (our experience after the first World War with the disastrous depression of 1921 stood out as a warning) and, partly, a long-range program, aiming at fundamental changes in the organization of our economic system.

House Production Successful

Several of the social welfare proposals have already been adopted by the Swedish Riksdag and are either already in force or will soon take effect. Thanks to government and municipal intervention, whether in management or financing or both, not to mention the non-profit cooperative enterprises, the production of houses has come close to the prewar level, and this, in spite of the current shortages of many materials. This has gone far to eliminate the drawback of seasonal unemployment in the building industry, and many forms of private profiteering, whether in real estate or in construction, have been either reduced or eliminated. If a new unemployment crisis should occur, a detailed plan for public works, graded according to necessity, has been worked out with potential appropriations, whether governmental or municipal, amounting to over a billion Swedish crowns, which would correspond, in proportion to population, to about $6 billion in the United States. The system of public employment agencies, practical education and vocational guidance is being continuously expanded. For increased social security, both a higher old age pension, payable equally to all citizens over a certain age, or payable at once to the disabled regardless of age and to children deprived of their natural supporters, and a system of compulsory health insurance for all inhabitants, were adopted by the 1946 Riksdag. In the budget for 1947-48 bonuses for children as well as more public support for better housing have been proposed.

Easy Consumer Credit Terms

Already public credit on easy terms for the purchase of furniture and other housekeeping equipment by newlyweds, free medical advice and free care in maternity hospitals, including cash allowances for layettes, free dental care and free school lunches for all children, and rents in publicly subsidized houses reduced for under-privileged families in proportion to the number of minor children, had been provided. Thorough-going agricultural reforms, tending to make farms large enough to give full employment to their owners, as well as to make farm work more attractive to young people, have been proposed, as well as a revision of the tax system to help the recipients of small incomes. Under this system more taxes will be collected at the source, as they are in the United States.

In the financial field the Labor program proposes stricter supervision over trusts, cartels, and monopolies. (Many of these have already been broken up by the consumers cooperative movement. A so-called **Investment Council** has been instituted as a means for cooperation between the government and private industries in developing new industries. Investigation committees have been appointed to ascertain the facts and formulate proposals for the reorganization or complete nationalization of such activities as insurance, the boot and shoe industry, the retail distribution of drugs, the stone cutting industry, and the import and distribution of both liquid and solid fuels, such as gasoline and coal, neither of which Sweden has any appreciable domestic supply. Measures have been prepared to give the municipalities greater powers to condemn land for slum clearance and the construction of new housing, the purpose being to forestall improper real estate speculation and other forms of profiteering from the housing shortage.

By direct voluntary negotiations between the organized employers and the trade unions, the beginnings of a new system of industrial democracy were instituted last summer. They provide for more consultation between the employers and the workers through Company Councils in regard to such subjects as the training of new workers, lay-offs, improvements in methods of production, exchange of views in regard to planning and also public improvements—a subject that is especially appropriate since labor union leaders often hold important municipal offices.

No Industrial Interference

There will not, however, be any attempt to interefere in the management of industries. Neither is there a question of any wholesale socialization of private property. The industries under investigation are either suspected of being monopolistic and thus able to keep prices too high, or else of being inefficiently managed, or they are of such a nature that the costs to consumers might be reduced if they were managed by public authority. The last consideration applies particularly to the import and distribution of fuels. For the past 30 years the import and manufacture of tobacco has been a government monopoly, but its object has been to produce public revenue rather than low retail prices. In the case of the public liquor monopoly, which is also profitable, the objective has been the control of consumption as well as abolition of the private-profit incentive in sales. In general, it may be said that as long as private enterprise can solve social problems and meet public welfare requirements, there is no present intention in Sweden to interfere with the rights of private ownership.

No Expropriation of Private Property

While a number of public utilities, such as railroads, some electric power plants, the postal service, telegraph and telephones, the radio, some forests, and a recently built iron works in Lapland, are government-owned and operated, they had, for the most part, been originally built or developed with public funds under government management and have not, therefore, been taken away from private owners. Without proper compensation no private property has been expropriated in Sweden and is not likely to be in the future. Practically all industries, particularly those working for export, are privately owned and managed and so are the commercial banks and insurance companies.

In recent years, the trade unions in Sweden have placed more and more emphasis on their social responsibility, their duty to the community as a whole. With the equally nation-wide employers association, the Federation of Labor has made several voluntary agreements by which many employment problems have been solved in a peaceful and mutually satisfactory manner. In this way the trade unions have gained increased influence in various fields, such as lay-offs and dismissals, even though, in principle, management still has the right to hire and fire and there is no closed shop. Since Swedish labor is now about 100% organized the last point has only a theoretical meaning. Strike-breaking and maintenance of membership problems are things of the past. More and more, the labor unions have won acceptance by the public as a whole as a social institution with an indispensable function in the maintenance of order on the labor market. Nevertheless, it is still a fighting organization, and legally, strikes can still occur. The agreement between employers and workers not to resort to either lockouts or strikes, except in extreme situations, is wholly voluntary.

In Sweden, the labor movement has three aspects, the economic, or trade union activities proper, the political, as expressed in the Social-Democratic party, which now controls the government, and the educational. Of these, the last named is not the least important. From the beginning it has been clearly understood in Sweden that in order to make the trade unions succeed, not only their leaders but their members had to have as good an education as possible. To represent the movement in politics and ultimately take responsibilty for both the municipal and central government offices, an understanding of both economic and political principles was required. Better public schools and improvements in the system of adult education have, therefore, been given full support. Special Folk High Schools have been organized for the training of future labor leaders. Some of them now sit in the king's cabinet. It is the constant aim of the labor movement to combine numerical membership growth in the membership with an ever-increasing intellectual improvement.

As a means to this end the Swedish labor movement has from the beginning maintained its own newspapers, published books and magazines, and helped organize among the members voluntary home study circles. The daily circulation of the labor press in Sweden is now over 600,000 in a country with a population of only a little over six and a half millions. Mechanically, the labor newspapers are well equipped and they also publish news of a general character. While every one is free to read the privately owned journals, it can be said that over 55% of the organized workers subscribe to the labor papers.

Politically, the Social-Democratic party represents organized labor, though on this score there is no compulsion either. About 35% of its votes came from other sources than organized labor, the average total since 1936 being over a million in almost every general election, or roughly one-half of the total number cast in the country. Its due-paying members number about 600,000, of whom about two-thirds are also members of trade unions. The organized workers now number about 1,200,000 out of a population of 6,700,000. The future, therefore, of both the trade unions and the Social-Democratic party seems bright, but as long as there are free democratic elections the public as a whole has a chance to decide about the party. Since 1918 suffrage in Sweden has been universal for both men and women.

Never has the Swedish labor movement been content to be a mere class organization. It has always had the general welfare in mind and has ever been ready for cooperation with other popular movements and other political parties. In its early stages the Social-Democrats worked with the Liberals to establish a parliamentary form of government and to obtain universal suffrage, regardless of property qualifications. In the 1930s it formed an alliance with the Farmers Union and thus was able to institute a series of social welfare reforms which aided the small farmers as well as the industrial workers. Though in 1940 it obtained a majority in each chamber of the Riksdag, it preferred to remain, as long as the war lasted, a member of the national union cabinet in which all other parties, except the Communists, were represented.

The Swedish labor movement may, therefore, be called a popular democratic movement which through its political action has obtained a number of social welfare reforms no party today would dare even try to undo any of them. By it union activities it has helped bring about orderly conditions on the Swedish labor market and for this has gained general recognition. In public opinion, it has won a strong moral position, as being responsible and dependable. Through its work for adult education it has done much to promote a higher cultural standard for the whole nation.

"The 27 Points"

The 27 points in the labor postwar program of Sweden were as follows:

1. Price increases must be prevented; in times of abundance of goods prices should drop, but the price level must never be allowed to go so low as to cause economic depressions.
2. Industry's efforts to maintain and increase employment must be coordinated under government supervision.
3. Export markets must be fully supplied and state-aided export credits extended. Foreign outlets must be provided for small-scale enterprises, and the imports of necessary raw materials assured through the government's foreign trade policy.
4. The housing standard must be improved by a long-range building program.
5. Public subsidies should be used to promote large scale production of consumer goods to combat unemployment.
6. Houses should be modernized and agriculture, forestry and fisheries developed with the aid of public loans or outright subsidies.
7. Public works should be stepped up when employment is low.
8. Official employment agencies and training centers should be operated and special work found for the disabled.
9. The real wages and real incomes of the masses should be increased, especially those of farm hands, forest workers, and small land owners.
10. Poverty must be abolished in both rural and urban areas. The incomes of agricultural workers and those in industry must be better equalized; the wages of women calculated on the same basis as those of men.
11. Security against loss of earning power; general unemployment and health insurance; higher old age pensions; unemployment benefits raised to subsistence levels.
12. More effective protection against accidents and occupational diseases; better hygienic conditions at working places.
13. Shorter working hours, especially for heavy manual laborers.
14. Better measures to improve public health.
15. The cost of raising children to be more equitably distributed. Cash bonuses, day nurseries, and kindergartens. Domestic help for needy families in emergencies. More labor-saving household equipment.
16. Equal educational opportunities for all, regardless of parents' income or place of residence.
17. Equal living standards and abolition of class distinctions.
18. National planning of investments.
19. Government supervision over foreign trade. International economic cooperation.
20. The building industry to be made more efficient and more stable. Building sites and apartment houses to be gradually transferred to municipal ownership. Crowded areas to be cleared and rebuilt.
21. Agriculture to be made more efficient. Too-small farms merged into self-sufficient units.
22. Domestic work to be reorganized under public auspices; better methods introduced.
23. Monopolies to be broken up or replaced with government support or transferred to public ownership.
24. Cartel agreements to be made public.
25. More support for technical-economic research.
26. Quality of consumer goods subject to public inspection.
27. Workers to have greater influence over industrial management. More safety, better hygiene, higher wages.

Sees Int. Rate Prevented from Performing Functions

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rate policy should not be decided upon without full consideration of their needs, and through them the needs of American savers."

Pointing out that the cost of life insurance is heavily dependent on the level of interest rates, the study quotes from the testimony of Lewis W. Douglas, President of The Mutual Life Insurance Co. of New York, before the Senate Banking and Currency Committee in December, 1945, to the effect that the gross rate of interest earned by a large group of insurance companies fell from 5.31 to 3.57% during the period 1930-1944, with a csonsequent increase of about one-sixth in the cost of life insurance protection.

The drop from 3½ and 4% to 1 or 1½% in the interest paid to savings bank depositors, which has occured during the past fifteen or twenty years, and the diminished returns earned on money placed in trusts are attributed directly to the decline in interest rates. So is the increased cost of pension plans set up for the benefit of employees of business establishments and for teachers, clergymen, municipal employees and others, each dollar contributed by these beneficiaries not only building up a smaller reserve than formerly, but also paying less in annuities than it did formerly. "In the same manner," the Committee says, "people who save to buy annuities for their old age find themselves unable to obtain the incomes they might have had in the past." The greater part of the increase in cost of annuities, 50 to 75% between 1933 and 1946, is attributed to the reduction in interest rates.

Another adverse effect of the decline in rates cited in the study is the impairment of charitable, religious, scientific research and education activities. The endowment income of Carnegie Corp. of New York, devoted to education, research and social welfare, suffered a drop of 40% between 1932 and 1945, and its president is quoted as stating that the trustees "are convinced of their obligation to discontinue many continuing or recurring grants as well as to limit the number and extent of new ones." This experience is described as typical of the severe curtailment of funds available for expenditure by other foundations.

The view is expressed that life insurance companies, savings banks and other institutions "have not yet fully reflected in their operations the low interest rates of today; they will do so only as the bonds, preferred stocks and mortgages in their portfolios mature or are called and refunded." In view of the diminished returns on savings and lowered income of established institutions, the Committee says: "it is a fair question as to whether on balance lower rates are more of a burden to society than a relief."

Further cuts in interest rates on the Federal debt, now averaging about 2%, would not, in the judgment of the Committee, offer much relief to the taxpayer. If the present rate of ⅞% on Trearsury certificates were dropped 40% and the long-term Government bond rate of 2½% were cut 20%, the annual saving to the Treasury would, it is estimated, amount to only 250-300 million dollars by 1950.

Federal Reserve Abandonment of Control Over Bank Credit

So long as Federal Reserve banks are obligated to purchase Treasury bills and certificates of indebtedness from commercial banks at pegged rates of ⅜ and ⅞ of 1%, and the latter can sell these bills and certificates without danger of loss in order to obtain reserves needed for credit expansion, effective control by the Federal Reserve authorities over the quantity of bank credit will be most difficult, in the opinion of the Committee. This is viewed as a dangerous situation "at a time when inflationary pressures exists and threaten to increase the cost of living." This policy "makes it difficult for the Federal Reserve authorities to exert control over the quantity of bank deposits and hence over inflation and its effect upon the cost of living."

The cure for this situation, the committee says, is that "interest rates should have enough freedom of movement to permit credit control policy to play an appropriate part in curbing inflation or resisting deflation," also, rates should "have some freedom of movement if they are to perform their economic function of maintaining a balance between the supply of savings and the demand for investment funds at a high and increasing level of national income. Above all, Government influence over interest rates should not weaken but serve to strengthen the play of individual initiative."

Treasury's Gain Is Savers' Loss

Low interest rates ease carrying charges on the national debt, BUT, the Committee on Public Debt Policy points out, they have caused interest paid to savers to drop from 3½ and 4% to 1 and 1½%; cost of life insurance to rise about 1/6; income of charitable, religious, educational institutions to be greatly reduced.

The Outstanding Labor Issues

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consistent with the economy of which they are a part.

Certain aspects of union organization and practices are of strategic importance in their effects on the economic system. Among the more important of these are the following:

(1) Union membership practices (including the closed shop);
(2) Responsibility of unions as organizations;
(3) The scope of collective bargaining;
(4) Strikes;
(5) Methods of picketing;
(6) The labor boycott;
(7) Union "trade barriers";
(8) "Make-work" rules, and
(9) Union (or union-employer) restraints on competition in commodity markets.

Let us examine briefly these aspects of unions and their methods, in the order in which I have listed them.

Union Membership Practices

Union membership practices which affect the economic system in vital ways are those which (a) unduly restrict admission of new members, (b) unreasonably restrain the transfer of workers from one labor market to another, (c) coerce unwilling workers into unions, and (d) cause discharge or suspension of union members without adequate cause.

Difficulties of workers in obtaining union membership, obtaining transfers from one union to another, or retaining union membership become matters of great importance as unionization becomes more general and as union membership—under closed-shop or union-shop rules — becomes a prerequisite of employment in numerous labor markets. Under these conditions inability to obtain union membership means inability to get a job in a monopolized labor market. Difficulties in transferring from one union's jurisdiction to that of another become hurdles or barriers to transfer of employment from one labor market to another. Suspension or exclusion from a union results in the loss of a job in the field of employment covered by union contract.

Citation of a few facts will indicate something of the dangers to the welfare of workers growing out of these conditions. The United States Department of Labor has reported that 45% of some 13,800,000 workers employed under terms of written collective bargaining contracts during 1945 were in closed or union shops.[1] The difficulties of getting into some unions are illustrated by their restrictive initiation fees and rules excluding certain classes of workers. The American Civil Liberties Union, for example, listed initiation fees ranging from $200 to $1,000 for a number of unions in a report published in 1943. The same organization stated that 29 unions either excluded Negroes from membership by one means or another—or they placed them in "Jim Crow" auxiliaries of the union.[2] The possible difficulties of transfer of union workers from one labor market to another were illustrated by a reported instance, several years ago, of a welder who had to pay $650 in fees and dues in one year to various welder's unions—all affiliated with the AFL—in order to qualify for employment in different places.[3] The hazards of suspension or discharge from a union under closed or union shop rules is highlighted by the case of Cecil B. DeMille, whose suspension by the American Federation of Radio Artists since 1944 for his failure to pay a $1 political levy has kept his radio program, produced for eight years, off the air.[4]

Increasing use of the closed or union shop, coupled with restrictive union rules, creates other important dangers to the economic system. Wage rates are likely to become more inflexible in labor markets monopolized by closed-shop unions. Disparities in wages between unionized and non-unionized types of work are likely to increase. Mobility of labor is likely to be reduced. Unemployment is likely to be encouraged by excessive wage demands, inflexibility of wage rates, and reduced mobility of labor. The last-mentioned conditions are likely to aggravate rather than reduce general instability of business. The closed-shop union — especially when bargaining on an industry-wide basis—is likely to exert such heavy pressure upon employers as to encourage industry concentration. Finally, the closed-shop rule increases the power of a union to force recalcitrant enterprises into a combination in restraint of trade or to assist enterprisers in organizing such a combination.

There seems to be real need, therefore, for legal standards pertaining to union membership which will prevent excessive initiation fees and exclusion from union membership on racial or other arbitrary grounds; protect workers from undue difficulties and excessive fees in transferring from one union local to another; protect against arbitrary loss of membership; and prohibit — or subject to special regulation—the closed-shop or union-shop.

Relatively little has been done as yet to protect workers against high initiation fees or arbitrary exclusion from unions. The Federal Government merely assumes the existence of unions. Under terms of both the Wagner Act and the Railway Labor Act unions may be certified as bargaining representatives for all the workers even though they exclude Negroes from membership.[5] On the other hand some states are beginning to adopt legal standards on these matters. Colorado and Texas require that initiation fees be reasonable, and Florida sets a maximum of $15. During 1945 and 1946 the States of New Jersey, New York and Massachusetts made it illegal for unions to deny membership or discriminate against members on the basis of race, color, creed, or national origin.[6]

The legal status of the closed shop varies widely under different legal jurisdictions. A laissez-faire policy is followed in many of the states. Another policy—the *Wagner Act* policy—permits the closed shop agreement for any union which qualifies as a legal bargaining agent, assuming, of course, that the employer can be induced to enter into such an agreement. Several of our industrial states follow this policy. Another policy is to permit the closed shop only when approved by a *special referendum* of workers in the bargaining unit. Colorado, for example, requires an affirmative vote of three-fourths, or more, of the workers as a prerequisite to its use. Another policy is to *prohibit* the closed shop (and the yellow-dog contract) as a condition of employment. The Railway Labor Act follows this policy. An increasing number of the states—including Maryland, Nevada, Arkansas, Florida, Arizona, Nebraska, South Dakota, Virginia, and Tennessee — prohibit the closed shop (and the yellow-dog contract) either by statute or by constitutional amendment.[7]

Responsibility of Unions as Organizations

Until fairly recently there has been little legal action to place upon labor unions acceptable standards of responsibility for their acts. They have been viewed quite generally at law as private brotherhoods or clubs comparable to fraternal orders, sewing circles, and other similar organizations. It is not surprising, therefore, that their legal responsibilities have fallen far short of what might be expected in consideration of their numbers, membership, economic power, and political influence.

A few facts will illustrate some of the forms of irresponsibility available, under the law, to unions. The Wagner Act and Railway Labor Act permit—as mentioned before—unions to represent Negroes in collective bargaining even though excluding them from membership. Closed-shop contracts are permitted, in general, without imposing upon the unions concerned any special responsibilities pertaining to admissibility of applicants, initiation fees or dues, democratic methods of union management, expulsion of members, coercion of the employer, or work stoppages cutting off from the public an essential good or service. The Wagner Act policy of the Federal Government, as applied under NLRB rulings, has allowed unions to be designated and continued as exclusive bargaining representatives for workers even though calling strikes in violation of law, employing coercion to compel an employer to violate the law, and engaging in work stoppages in violation of their own agreements.[8] Finally, it will be recalled that there was much doubt, last November, about the existence of any legal procedure for terminating an irresponsible, nation-wide work stoppage in the coal industry at the beginning of cold weather and in apparent violation of the union's agreement with the Government.

Such irresponsibility of unions encourages disregard for the right of workers; irresponsible, tyrannical, and fraudulent management of union affairs; distrust of collective bargaining agreements; disregard for the rights of an employer; and disrespect for orderly processes of settling controversies. There is real need, in my judgment, for developing legal standards for unions which will cause them to be responsible to their membership, to employers, and to the general public.

A considerable number of states, during the 1940's, have enacted laws which impose standards of responsibility upon unions and their officers or agents. States which have adopted quite comprehensive laws regulating unions are Colorado, Florida, Kansas, Louisiana, Massachusetts, Minnesota, and Texas.

The Kansas Labor Relations Act, for example, includes quite comprehensive provisions intended to assure a greater degree of responsibility on the part of unions, their officers, and their members. The law requires a union's business agent to be licensed by the state. The union is required to file its constitution and by-laws, and any changes in them; also, detailed annual reports, giving facts about the union's officials, its elections of officers, its charges to members, and its financial outlays and receipts for the past year. Provisions are included, also, which are intended to prevent strikes or closed-shop agreements except when authorized by a majority of the workers. Secret ballot is required on all strike and closed-shop votes. Union dues and assessments not authorized in the constitution or by-laws are prohibited. Other provisions of the law are intended to prevent the sit-down strike, jurisdictional strikes, boycott of non-union materials and products, and coercive picketing.[9]

The Scope of Collective Bargaining

One of the outstanding questions in labor policy today is that of determining, by law, the appropriate scope of the collective bargaining unit.

The tendency for sometime has been toward the multiple-employer unit and even the industry-wide unit in collective bargaining. There are several factors which have encouraged this trend. Concentration in industry has encouraged it. The desire of union workers to reduce wage and working-condition differentials in an industry has been another factor. The National Labor Relations Board has been permitted, by the Wagner Act, to designate multiple-employer bargaining units already in existence when the law became effective, and has favored continuation of such bargaining units. Various war agencies of the Federal Government during World War II encouraged region-wide or industry-wide bargaining to simplify their administrative tasks.[10] No doubt other factors could be mentioned in a more comprehensive survey.

There are many reasons for believing that a continuation of the trend toward multiple-employer and industry-wide bargaining would be contrary to the general economic welfare. Encouragement is given to wage-standardization[11] over wide areas in spite of the great differences in living conditions and costs. Wage rates are less likely to be adjusted on the basis of conditions affecting the particular employer who pays them. Encouragement is given to industry concentration because of the heavy bargaining pressure which can be brought to bear upon employers by a well-disciplined, industry-wide union. Development of employer-employee combines and conspiracies in restraint of competition is given encouragement. Greater resistance to adoption of technological innovations is made possible. Standards of productivity of labor and enterprisership are likely to suffer because of reduction of the pressure of competition. Differences in wage levels in *different* fields of employment are likely to be enhanced rather than reduced. Work stoppages under industry-wide bargaining are likely to paralyze industry operations, regardless of the nature of the industry. The danger of strikes undertaken for disruptive or revolutionary purposes is enhanced to a critical degree in the case of essential industries. Because of the extreme hazards to the general welfare flowing from industry-wide bargaining, concessions granted powerful unions to induce settlement of strikes are likely to be excessive—thereby encouraging unjustifiable demands and disregard of the public interest on later occasions.[12]

Limitation of the scope of the collective bargaining unit by law, therefore, appears to be a major essential in a well-considered national labor policy. A suggestion that the bargaining unit be limited to the employees as a whole—or on the basis of worker-chosen skills, crafts, or plants—of an enterprise appears to merit careful consideration.[13] Appropriate legal policies for carrying out such a status of bargaining would prohibit the certification of multiple-employer units as appropriate collective bargaining units by labor relations boards and prohibit the use of concerted action or pressure among different collective bargaining units to effect multiple-employer bargaining. Anti-trust law seems appropriate for dealing with prohibited types of concerted action among different collective bargaining units of workers.[14]

Strikes and the Law

Outstanding among the methods used by labor organizations to achieve their objectives is the strike. The average number of man-days of work lost due to strikes, unfortunately, seems to be following a rising secular trend, with the annual average at 12.5 millions in the period from 1927 to 1934 and at 16.1 millions from 1935 to 1945.[15]

No extended analysis is needed to portray the economic effects of strikes. They cause substantial losses in production of goods and services; interfere with coordination of economic operations in our highly integrated economy; and in cases of extended and widespread strikes in an *essential* industry requiring substantial *continuity of operation* there is, as all of us know, great danger to public health, safety, and welfare.

In considering the relationship of the law to strikes, it should be recalled that the law is not intended to cure every social ill or solve all economic problems or controversies in an economy which emphasizes freedom. Again, it should be kept in mind that some strikes constitute substantial dangers to the public welfare; that others cause moderate losses to the national economy; and that others are relatively insignificant.

The *right to quit work* and the *right to strike* should not be confused *as is the case frequently in discussions of the right to strike.* The right to quit work is a personal right to sever the employment relationship. The right to strike is the right of a *group* of workers to withdraw *temporarily*, by *concerted action*, their labor supply from an employer or group of employers. Confusion of these two types of right results in needless confusion concerning the argument that denial of the right to strike would impose upon the workers involuntary servitude, thereby violating the anti-slavery provision of the Constitution.

A policy of requiring, generally, compulsory arbitration or adjudication of labor controversies does not appear to be necessary or desirable in an economy of largely private enterprise. Such a policy would introduce government action needlessly into situations not required by the public interest; increase the tendency toward government bureaucracy, waste, and regimentation; and enhance, very likely, inflexibilities in the economic system. Furthermore, foreign experience with widespread use of compulsory arbitration does not hold out much promise—in a society which is not totalitarian—that the method can be relied upon to reduce substantially the number of strikes and lockouts. Australia, for instance, experienced an average annual loss from such stoppages of 61 work-days per 100 employees from 1929 to 1939 even though she employed compulsory arbitration on an extensive scale. In the United States, for the same period, the loss in

1 *Labor Information Bulletin*, issue for March-April, 1946.

2 *Democracy in Trade Unions*, a pamphlet published in 1943; excerpts from the report also in *Labor Monopolies-Or Freedom* by John W. Scoville, 1946, pp. 113-117.

3 Corwin D. Edwards, "Public Policy Toward Restraints of Trade by Labor Unions: An Economic Appraisal," *The American Economic Review, Supplement*, March, 1942 (Part 2) p. 438.

4 *The New York Times*, Feb. 15, 1947, p. 2.

5 Metz and Jacobstein, *A National Labor Policy*, 1947, p. 125.

6 *Labor Law Service (State Laws)* of The Commerce Clearing House, Inc.

7 *Labor Law Service (State Laws)* of The Commerce Clearing House, Inc. Also see the author's article on "The Closed Shop—Its Economic Significance and Legal Status," *The Commercial and Financial Chronicle*, Jan. 9, 1947.

8 Metz and Jacobstein, *op. cit.*, p. 126.

9 See *Labor Law Service, op. cit.*, for State regulation of unions.

10 See Metz and Jacobstein, *op. cit.*, pp. 33, 61, 117-119.

11 That is, *money* wages instead of *real* wages.

12 See Metz and Jacobstein, *op. cit.*, pp. 33-34 and 61-65 for an estimate of the effects of multiple-employer bargaining.

13 See Metz and Jacobstein, *op. cit.*, p. 122. This suggestion would not deny cooperative action to labor organizations on a broader basis except with respect to matters pertaining to the wage contract.

14 *Ibid.*

15 *Ibid.*, p. 137. The number of man-days lost in 1946, of course, was far in excess of this average.

work-days per 100 employees averaged 36 per year.[16]

The force of law, nevertheless, can be employed in many ways to reduce the losses, abuses, and social hazards resulting from strikes. It should be possible, for example, to devise legal methods which will *limit the scope* of strikes; *limit the purposes* for which they may be employed; provide for greater *responsibility in their authorization;* reduce the employment of *unjustifiable methods of enhancing their power;* and provide *special safeguards to prevent them or limit their adverse effects* in employments affected with great public interest.

Industry-wide strikes constitute an outstanding danger to economic welfare and political stability. The best safeguard against this hazard, seemingly, is to limit the scope of the collective bargaining unit (let us say to one enterprise) and employ antitrust law and suspension of bargaining rights to prevent concerted work stoppages on a broader basis.

Permission of strikes under some circumstances does not justify a public policy of allowing them to be used regardless of the purpose. Strikes to prevent the use of products made outside a state, to prevent introduction of new techniques, to compel the employment of unneeded labor, to transfer jurisdiction over a type of labor from one union to another, and to compel an employer to violate labor relations law are clearly inconsistent with the general welfare. Appropriate legal remedies are needed for coping with unions which participate in such strikes, inasmuch as under present Federal policy (and most state laws) such strikes are not illegal.[17]

It is possible, also, that legal rules can be devised which will reduce the number of strikes called in a hasty and irresponsible manner. Some of the states are requiring notice of 5, 10, or 30 days before a strike may be engaged in lawfully. Michigan, for example, requires a five-day notice in ordinary employments and a 30-day notice in the case of hospitals, public utilities, and other industries affected with a public interest. Several of the states prohibit participation in any strike which has not been authorized by a majority vote, under secret ballot, of the workers. Alabama, Colorado, Florida, and Kansas adopted such provisions during 1943.[18]

Unjustifiable methods of enhancing the power of a strike will be discussed in connection with picketing and the boycott.

It seems clear that a sovereign government cannot tolerate organized work stoppages among those of its employees essential to the public services. The demand is increasing that legal safeguards be provided against the threat of strikes among public employees. Virginia undertook last year to guard against this danger by prohibiting participation by an official or employee of the state or any of its political subdivisions, in a strike. Such participation, under terms of the law, terminates the person's employment and makes him ineligible for public employment for a period of 12 months.[19]

Special safeguards are needed to protect the public against the hazards to production, health, safety, and general welfare resulting from strikes in industries affected with a public interest. Several of the states—beginning with Kansas in 1935—have enacted into law special procedures to guard against strikes in such industries. Among the states which have adopted such a policy are Colorado, Kansas, Minnesota, New Jersey, North Dakota, and Virginia. New Jersey in 1946 and Virginia in 1947, for instance, have outlined, step by step, a carefully designed procedure for collective bargaining, mediation, voluntary arbitration and, if necessary, state seizure and operation to cope with serious threats to the public welfare.[20]

Methods of Picketing

All of us are aware of the extent to which unions rely upon picketing to enhance the power of a work stoppage, or to bring pressure against an employer even though a strike is not in progress. The extent of the power resulting from picketing, however, varies enormously according to the methods employed in a given case.

It is a matter of common knowledge that methods employed range all the way from the peaceful picketing of one or two persons before an establishment to the assembling of a threatening mass of persons at or near all entrances of a plant.

The economic effects of picketing are influenced greatly by the methods employed. A peaceful appeal of one or two pickets is analogous to advertising or salesmanship in its economic character.[21] As the number of pickets is increased or threatening language is employed persons are dissuaded from entering the employer's place of business who would not be deterred by peaceful picketing of one or two persons. Still greater numbers are kept away by a massing of pickets near the entrances. Finally, the blocking of all entrances, the formation of a human chain around a plant, or the construction of an automobile barricade effects a trade barrier between the plant and the outside world. At one extreme, therefore, picketing is analogous to advertising; at the other extreme it is analogous to an embargo.

It is perfectly obvious that extreme forms of picketing are inconsistent with economic freedoms associated with our type of economy and with general economic welfare. Such coercive methods deny employment to workers who have a desire and a legal right to work, deny to employers and others freedom of access to the premises; encourage disorderliness, rioting, and destruction of property; interfere substantially with production; and encourage unnecessary discord and bitterness in labor relations.

The present state of federal law places little restraint on picketing methods. The Norris-LaGuardia Act prohibits issuance of injunctions, by Federal courts, against picketing unless the methods employed involve "fraud or violence." Furthermore, the Supreme Court has held that "dissemination of information concerning the facts of a labor dispute must be regarded as within that area of free discussion . . . guaranteed by the Constitution." Obviously much intimidation can be exercised by the methods of "disseminating information" and by increasing the number of pickets before actions of the participants may be considered as either fraud or violence.

Most states have provisions against threats, intimidation, violence, and unlawful assembly at or near an establishment as a means of interfering with lawful employment. Some states prohibit mass picketing, picketing the domicile of a worker, or the making of threats against the security of a worker, his family, or his property. Apparently the more common weaknesses in state regulations of picketing grow out of failure to enforce adequately the laws on the books and failure to hold unions responsible for picketing abuses.[22]

Among the principal changes which appear to be needed in the law pertaining to picketing are (1) a revision of the Norris-LaGuardia Act to permit injunctions against coercion, by mass picketing or otherwise, not involving fraud or violence; (2) revision of the laws of many states to include bans on mass picketing; (3) revision of federal and state laws to permit suspension of bargaining rights of unions[23] responsible for coercive picketing practices; and (4) revision of antitrust laws to cover unreasonable restraints of trade or commerce resulting from picketing.

The Labor Boycott

The labor boycott is employed quite frequently as an instrument of economic pressure for a variety of purposes. Several years ago, for example, a carpenter's union attempted to organize a nationwide boycott of the beer of Anheuser-Busch merely because that company assigned the task of installing metal machinery to a machinists' union in keeping with a jurisdictional award of the American Federation of Labor. The boycott is also employed as an instrument of rivalry between CIO and AFL unions. Several years ago, for instance, AFL building trades unions in New Orleans were refusing to install materials delivered by CIO teamsters in spite of the fact that the latter union had been designated by the National Labor Relations Board as the bargaining representative of workers employed by local trucking companies.[24]

The boycott is frequently used by unions, also, against products made or handled by non-union labor, against products handled or made by other locals of the same national union, and against products—made by union or non-union labor—originating in areas outside the jurisdiction of the boycotting union.

Boycotts of the secondary type have several results adverse to a competitive economy. They result in obstructions to the transportation, further processing, sale, or installation of various kinds of materials and products merely because—at some antecedent stage—the items were handled by non-union workers, by union workers in a different federation, by members of a different local, or by workers outside the local community. In other words, they are used frequently for the purpose of discouraging employment of non-union labor, of union labor in different locals or federations, or of any labor outside the home market. They are inconsistent with basic enterprise freedoms, the freedom of workers to choose one union rather than another or a non-union status, the location of production on the basis of comparative advantage, and freedom of exchange. Also, they encourage an unnecessary spreading of disputes to groups and areas otherwise not involved at all.

Present law is inadequate to cope with unreasonable restraints imposed by means of the secondary boycott. The Norris-LaGuardia Act was designed to prevent court injunctions against the boycott. Discharge of a worker in a field of employment covered by the Wagner Act because of participation in a boycott is an unfair labor practice, since the boycott is a form of concerted action protected by law. The present position of the Supreme Court is that the Clayton Act and Norris-LaGuardia Act remove labor restraints of trade or commerce (by boycott or other customary union practices) from jurisdiction of federal antitrust law so long as a union does not join hands with a business combination.[25] Finally, relatively few of the states have laws on the subject.[26]

There appears to be a real need, therefore, for revising appropriate federal and state laws or enacting new statutes which will outlaw the secondary boycott. Apparently such a policy could be implemented adequately by inclusion of such practices under prohibited antitrust practices; subjecting unions to penalties for permitting their members to participate in them; and allowing employers to discharge workers participating in them.

Union "Trade Barriers"

Existence of closed or union shop contracts and restrictive union membership rules constitute real impediments to the movement of labor from one market to another. Boycotts—as noted above—and other union pressures are employed frequently in ways which create impediments or barriers to commodity trade between different areas.

A few examples will suffice to illustrate the nature of the problem. Several years ago the AFL forced a contractor in St. Louis to reject local sand, gravel, and crushed rock produced by members of a CIO quarry workers' union, and to procure these supplies from Illinois at an increased cost of about 51 cents per ton.[27] Another example—also occurring several years ago in the building trades—was a series of disturbances and riots carried on by local building trades unions (and local contractors) in Belleville, Ill., to prevent the construction of a prefabricated house.[28] Restrictions of union teamsters frequently place heavy burdens upon inter-regional trade. An outstanding instance was the practice, several years ago, of the New York local of the Teamsters Union requiring operators of produce trucks entering New York City to pay "wages" of $9.42 for a "pilot driver," even though a union driver was in the driver's seat.[29]

Numerous additional examples could be given. Union restraints which interfere with the freedom of trade between outside areas and a local market are employed commonly as means of "making work" in the local labor market, of restraining a shift in an existing demand for labor to outside markets, of carrying on inter-union rivalry, of reducing competition with unorganized labor in outside markets, and of providing "protective tariffs" within a local area for both employers and workers against the competition of nonlocal business and labor.[30]

Such union impediments to freedom of trade tend to increase costs of distribution, interfere with economies resulting from regional specialization and technological progress, and create other uneconomic tendencies similar to those resulting from other types of "trade barriers."

An appropriate legal method for restricting the number of unreasonable union restraints imposed upon inter-regional trade would be to designate as "unreasonable restraints of trade or commerce" in antitrust statutes those union practices which interfere substantially with freedom of inter-community trade in commodities.[31]

"Make-Work" Rules

The union practices which create significant barriers to intercommunity trade are—in numerous cases—practices for creating or retaining work in the local area. In such instances they are merely one phase of the more general problem of "make-work" rules of unions.

"Make-work" rules are of several general types. Among the more common are (1) rules which restrict the use of labor-saving machines and processes, (2) rules restricting the use of prefabricated products, (3) rules requiring the performance of unnecessary work, (4) rules requiring employment of unneeded workers, and (5) rules restricting the output of union members.

Rules illustrating the first general class include those prohibiting the use of cement-mixing trucks, of the spray-gun for painting, and of wheel-barrows rather than hods for bringing mortar to a brick or stone wall under construction.

Examples of rules intended to reduce or eliminate prefabrication are those requiring the cutting and threading of pipe on the job-site, prohibiting installation of pre-assembled bath-room fixtures, restricting the use of wall board or hollow tile, and requiring the bending of reinforcement steel on the job.

Among rules requiring the performance of unnecessary work have been those requiring that electrical equipment be knocked down—when possible—and reassembled on the job, and rules in the printing trades which forbid the exchange, between local print shops, of certain typeset matter unless the material is again composed, proof read, and corrected by employees of the newspaper receiving it.

Rules requiring the employment of unneeded workers have included union rules requiring, as noted above, pilot-drivers for trucks. Other similar rules have required unnecessary workers in railway transportation; have required employment of a full-time electrician to be in charge of temporary lighting; and have prohibited playing in public, by amateur musicians, unless an equal number of union musicians be hired (or paid). Unions, in several known cases, have required that wages which otherwise would be paid to required unneeded labor may be paid *to the union* in lieu of hiring the unnecessary labor.

Rules limiting the employee's output are quite numerous. Examples have been daily mileage quotas for locomotive engineers and various restrictions in the building trades to limit the daily work output of union painters, brick masons, paper hangers, and others.[32]

Present law provides little protection against various types of "make-work" rules. Labor relations acts, in general (including the Wagner Act), do not protect employers against unreasonable work rules of unions because they do not include prohibited unfair practices for unions and their members. Present interpretation of federal antitrust law prevents that body of law from restricting even the more excessive of such restrictions as unreasonable restraints of trade or commerce—except when employed in connection with business conspiracies or combinations restraining trade. Attempts of Congress to prohibit union activities intended to re-

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16 Lester, *Economics of Labor*, p. 767. New Zealand, with compulsory arbitration, averaged 8 lost days; Norway and Sweden, using compulsory arbitration in secondary disputes, averaged 140 and 66, respectively; and Great Britain and the Netherlands, lacking compulsory arbitration, avereged 23.

17 Metz and Jacobstein, *op. cit.*, pp. 85-91. An exception is an act of Congress prohibiting work stoppages to compel employment of unneeded labor in radio broadcasting (held unconstitutional in a lower Federal court).

18 *Labor Law Service, op. cit.*

19 *Ibid.* Since this was written New York has enacted a law banning such strikes.

20 *Ibid.* It should be noted, however, that if government denies the right to strike to public employees or others it has a special responsibility to protect the wage standards of such groups.

21 Except that refusal of union workers, not directly involved, to cross a picket line to deliver or pick up products or render customary services is, in effect, a boycott.

22 See the author's discussion of "Picketing—Its Economic and Legal Status" in *The Commercial and Financial Chronicle*, Nov. 14, 1946, for a more comprehensive survey of the legal status of picketing.

23 And assessment of damages in justifiable cases.

24 Edwards, *op. cit.*, p. 435.

25 See the *Allen Bradley Case* (1945).

26 Several of the States have enacted laws during the past few years to prevent union workers from refusing to handle agricultural commodities (and, in a few cases, others) produced or handled by non-union workers.

27 Edwards, *op. cit.*, p. 437.

28 *Ibid.*, p. 441.

29 *Ibid.*, p. 442.

30 The last-mentioned use is discussed below.

31 Present interpretation of Federal antitrust law exempts unions in such cases when they do not join hands with business groups. See *The Allen Bradley Case.*

32 For excellent discussions of various "make-work" rules, see Edwards, *op. cit.;* also, Robert M. C. Littler, "The Public Interest in the Terms of Collective Bargains," *The American Economic Review*, Vol. XXXV, No. 2 (May, 1945), pp. 209 ff.

The Outstanding Labor Issues

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quire employment of unneeded personnel in radio broadcasting[33] and in connection with the operation of trucks in interstate commerce[34] typify recent Congressional efforts of very limited application to cope with the problem.

Apparently several legal approaches to the abuses of "make-work" rules are possible. Restricting the scope of the collective bargaining unit to the employees of an enterprise is one approach which would maintain competition between workers of different firms. Outlawing the secondary boycott should be helpful in coping with several of the make-work practices. Listing designated types of "make-work" practices as unfair labor practices for unions in amended labor relations laws might be helpful in reducing some of the more onerous types of rules. Another approach which some have recommended is to amend the antitrust laws in a manner to deal with the more restrictive types.

Union Restraints on Commercial Competition

Unions have become important means, also, for restraining the conditions of competition in commodity markets—either when acting alone or in conjunction with business groups.[35]

Some collective bargaining contracts result in direct *price-fixing*. According to one authority, such contracts have been used in connection with barber shops, beauty shops, distribution of bread at wholesale, distribution of milk, building construction, and photo-engraving.

Other union contracts have required a *bid-depository* system or some type of *price formula*. Such agreements have been used most frequently, it seems, in construction operations. Examples cited include those affecting electrical contracting and contracting for painting, plastering, cement work, and plumbing. Similar contracts have been used, also, in job printing.

Union policies have been employed, also, to restrict *freedom of entry* into a field of business. Instances which have come to light have affected the plumbing and tile contracting industries, heating, woodworking, the fur industry, milk distribution, and poultry distribution.

There are said to be many instances in which unions—either acting alone or in conjunction with employers—have restrained commercial competition on a regional basis. Electrical manufacturing and lumber are industries providing examples of this type of restraint. An electrical workers' union, local manufacturers, and local contractors in the New York City area, for instance, were cited by the Supreme Court in 1945[36] as having organized a combine which effectively restricted "importation" of electrical equipment into the combine's market from areas outside New York. A similar type of combine was organized in San Francisco in 1936—including a group of unions and manufacturers—to exclude from that market area all millwork and patterned lumber produced outside (even though 80% came from outside the State).[37]

The Supreme Court's interpretation of Federal antitrust law makes conspiracies or combinations of business groups, or of business and labor groups acting together, illegal when they result in unreasonable restraints of trade or commerce, such as mentioned above. Apparently unions, however, which act alone are entirely free from antitrust prosecution[38]—and, according to recent testimony before Congress, the electrical worker's union referred to above is still effectively restraining "importation" of electrical apparatus into the New York City market from outside areas.[39]

The greatest legal need in connection with commercial market restraints of unions is to revise Federal statutes in such manner as to cause unions and their members and agents to be punishable for such restraints, whether the union acts alone or in conjunction with business groups.

Conclusions

This brief discussion — inadequate as it may be—is sufficient to indicate some of the principal ways in which labor union methods and practices are at variance with competition, freedom of enterprise, freedom of workers, mobility of labor, technological progress, freedom of trade, and certain other basic features of a productive economy of the free market type.

The development of a more effective body of State and Federal law applicable to labor organizations, therefore, is an outstanding problem of our time.

If this body of law is to be reasonably effective in promoting the public interest it must place upon labor organizations responsibilities commensurate with their power—responsibilities to workers in and out of unions, to employers, and to the general public.

Not only is there need, however, for imposing upon unions higher standards of responsibility; the need is equally great for legal guidance of their development and methods in such ways as are consistent with a reasonably competitive economy. Responsible unions, for instance, which were allowed to integrate industries, restrain competition unduly, and adopt wide-spread scarcity-creating practices would fail to be in the public interest — however fairly they might deal with members and employers.

Labor organizations, under present practices, constitute significant threats to the maintenance of reasonably competitive conditions in two types of markets: *labor* markets and *commodity* markets. Both must be kept in mind in formulating legal standards for such organizations.

Labor legislation should not be considered merely from the points of view of employers and their employees. Records are available to show that employers and their union employees may favor union practices which are, nevertheless, detrimental to the general economic welfare.

Also, it should be remembered that if the regulatory force of competition can be maintained to a reasonable degree in organized labor markets, there can be greater economy in employing the regulatory power of government. This point is especially important when considering such questions as the closed or union shop, the secondary boycott, the sympathetic strike, and industry-wide collective bargaining.

Special legal safeguards are needed to protect the public health, safety, and general welfare against the paralyzing effects of organized work stoppages in industries (such as transportation, communication, coal, and others) and public employments whose products or services are *essential* and are required in *continuous* or *near-continuous* supply in our highly specialized and integrated economy.

Finally, it should be noted that the effects of adopting appropriate legal standards for labor organizations consistent with the basic principles of our economic and political system will be to encourage rather than discourage rising standards of living generally, including standards of living of the nation's workers.

33 Under terms of the Lea Act, held unconstitutional by a lower Federal Court and now under review by the Supreme Court.

34 The Federal Anti-Racketeering Act, as amended.

35 See Edwards, *op. cit.*, and Littler, *op. cit.*, for numerous instances of such restraints, including the types herein listed.

36 In the *Allen Bradley Case*, referred to above.

37 Littler, *op. cit.*

38 The *Allen Bradley* decision of 1945 gives a summary of the Court's position.

39 See *The New York Times*, Jan. 30, 1947.

Edward S. Ladin Forms Own Investment Firm

Edward S. Ladin is forming Edward S. Ladin Company with offices at 40 Exchange Place, New York City, to act as dealer and broker in unlisted securities specializing in reorganization and industrial issues.

Edward S. Ladin

Mr. Ladin for a period of eighteen years from 1924-1942 was a partner in the firm of Hewitt, Ladin & Co. and its successor E. S. Ladin & Co. He was subsequently with Steiner, Rouse & Co. as manager of their industrial and reorganization securities department for a period of five years. Mr. Ladin is retaining the same telephone which he has had for the past twenty years and the same teletype number NY 1-804.

New York Families Receive Ins. Benefits

New York families received payments totaling $54,227,331 in 1946 from the Equitable Life Assurance Society of the United States as benefits under the Society's policies, Thomas I. Parkinson, President, announced in releasing the Society's annual report to policyholders.

Widows and children and other beneficiaries of New York policyholders received $19,994,818 from the Society in 1946. Income payments to older people under annuity contracts amounted to $7,679,773. New York policyholders received $12,137,866 in dividends, while payment of matured endowments and other benefits to New York residents totaled $14,414,874.

Equitable Life made nationwide benefit payments of $231,721,000 in 1946, and returned $55,296,000 in dividends to its policyholders throughout the United States.

Life insurance protection provided by the Society amounted at the year-end to $10,563,966,000, an increase of $1,391,526,000 over the amount of family security owned by Equitable policyholders on Dec. 31, 1945.

Total assets of the Society rose $343,089,346 over 1945 to an aggregate of $4,192,528,129.

Mr. Parkinson, in the Society's annual report entitled "Your Policy," told policyholders that the American people last year put more of their earnings into life insurance than ever before in history.

"This is doubly significant," he said, "because the channeling of current national income into life insurance helps combat the inflationary forces at work in our economy."

Women last year indicated an increasing appreciation of what life insurance can do for them by purchasing one-fourth of all Equitable policies issued in 1946, the Equitable President reported. These women included career women in jobs and also wives at home.

Large numbers of farmers also bought Equitable policies in 1946 and this group now owns more life insurance than ever before, according to Mr. Parkinson.

Should the U. S. Withdraw from United Nations?—A Retrospect

(Continued from first page)

Americans, but why that has been so is not as clearly recognized. We attempt here to give some explanation for this condition.

The United States Is Necessarily Without Any Clear Foreign Policy

In spite of her size, wealth and power, and her incomparable services in the war, our country is always under difficulty when she deliberates in the Council of the United Nations. The principal reason is not far to seek. It is this: She is an alien in Europe; she has not and can not have any positive, clear or definite foreign policy with respect to a country where she does not own, and does not want to own, a foot of land.

The diplomatists of other countries are aided by certain considerations which our own representatives do not have. Generally speaking, diplomats of foreign lands are guided in their actions (partly at least) by the knowledge that their countries have had some distinct goal or national ambition toward which their governments have looked for many years.

It is far otherwise in the case of America and those who represent her in diplomatic proceedings. They must needs be guided only by some very general principles; and these are meager and very insufficient material out of which to construct a useful foreign policy.

In illustration of the truth of this, consider the case of England, by way of example. For generations, England has had some well understood national policies, such as the following: (1) To see to it that the shores of her near neighbors, Holland and Belgium, should be in friendly hands, or at least in hands not hostile; (2) To keep the route to India open and secure; (3) As a corollary to No. 2, to prevent the Mediterranean Sea from becoming somebody's closed lake, shut against English ships; (4) To bar Russia from the seacoast; (5) To keep the doctrine of the "balance of power" in reasonable working order. France also has her plans and policies: (1) To be secure against Prussia, especially as to Alsace-Lorraine; (2) To strengthen her hold on the north shore of Africa, where her colonies lie, more especially Tunis and Tripoli and Morocco, not losing sight also of Madagascar and Cochin-China; (3) To see that Italy did not grow dangerously strong. Russia, on her part, has sought, first and foremost, the possession of seaports and naval stations; (2) The mastery of Bulgaria and Romania, and as much as possible of the Balkan peninsula; (3) The gaining of an overshadowing influence in China and the Far East.

Mr. James Bryce observes in his "Studies in History and Jurisprudence," ch. 1, p. 49, that "Russia has shown during two centuries a remarkable power of holding a steady course of foreign policy She sometimes trims her sails, and lays the ship upon the other tack but the main direction of the vessel's course is not altered."

None of these things have cut any figure in American political thought. We scarcely realize the existence of many of them. Our principal lines of thought are of popular government, the rights of minorities as against overweening majorities, free exercise of religion, freedom of the press and of speech, etc.

Difficult Position of the U. S. In the Council

If this is still not clear or satisfying, then come to close range. Imagine yourself at some conference of the members of the Council of United Nations. The American representative is presenting some general principles in opposition to a plan under discussion. He declares that the plan will work unfairly and will be prejudicial to the best interests of free government in, perhaps, Albania or in Serbia; or that it will make it impossible to hold free elections in Greece; or it will injure the cause of freedom of the press or free speech in Italy.

At once we are forced to ask ourselves questions like these: Do Albanians or Serbians really know anything about democratic government in our American sense? Have the Greeks ever enjoyed free and untrammeled elections after the fashion of our own states? Has there ever been for any considerable time, such a thing as a free expression of public opinion in Italy? In a word, are we not talking to the people of continental Europe of things which are nearly or quite unknown to them?

If this be true, then we are embroiling ourselves in a strife of fools. We are in the bootless task of rolling stones up-hill. Let our hand be removed for but a moment, and everything slips back and is lost. "It is a wise maxim in legislation," said Edward Livingston, the great New York and afterward New Orleans lawyer, "never to enact laws that the prejudices of the people or other circumstances will not allow you to enforce."

Warnings from History

We Americans have only to read certain chapters in our domestic history, to realize the folly of a course of action that would foist upon the states of Europe a line of political conduct of which they have had no real experience. Can we be blind to the reckless folly and the disastrous breakdown of the "reconstruction" legislation that was forced upon the people of the South for 10 years after the Civil War? Yielding to a hysterical pressure that was as ill-conceived as it was impassioned and unreasoning, we attempted the impossible task of immediately converting several million ignorant Negroes, just emerged from slavery, into a body of responsible and intelligent electors who should take part in governing some of the keenest, proudest, and most politically independent people on the face of the globe. The result is too well known to call for comment here.

But come to a closer date: Do not permit the excitement of two world wars to obliterate memories of the futile efforts we made to teach popular government and free government to the Mexicans in 1913 and 1914. After the downfall of old President Porfirio Diaz about 1910, poor Mexico lived through some distressing years. With the best of intentions, the United States struggled to use influence to bring about a real popular choice of a President of Mexico according to ordinary American electoral methods, Huerta, Carranza, Villa, Madero, Obregon—these names are nearly forgotten now, but they once figured prominently in our daily papers. They recall a chapter of history we would all gladly forget. Most of it has slipped into oblivion because of the tragic events in Europe that speedily happened thereafter.

And if we still need another example of folly, look at what we tried in Cuba after 1898—how the Cuban "Republic" (with the blessing and assistance of America) began under its own President, and so speedily collapsed of its own weight that presently the United States was forced to do its charitable work all over again.

and set the "Republic" on its feet a second time.

What Happened at Paris in 1919

Striking lessons are also to be learned from the making of the Treaty of Versailles. Does any one suppose that the fact already alluded to—namely, the detached and alien position of the United States in Europe because of her non-ownership of land there — ought to prove an asset instead of a liability? Is it imagined that this fact is an influence that should count in her favor when she tries her hand at helping to settle some thorny and well-nigh unsolvable European questions? There may be those who think that this very aloofness from Europe's quarrels should prove of assistance to the United States in these perlexing diplomatic adventures. If any there be, let them study the making of the Treaty of Versailles in 1919.

America was there represented, not by an old-line political "hack," but by a gentleman who was a statesman and scholar, a writer on civil government and a close student of history, a liberal in thought. Beside all this, he had had for more than four years the most practical sort of experience in handling all kinds of questions, national and international. Then, too, he approached his task under a profound impression of its gravity and seriousness, intending to be guided by the loftiest principles. To quote from his own state documents, there was to be "no more bartering of peoples and provinces as mere chattels and pawns in a game." There should be "impartial justice to all without discrimination," and more in a similar strain. What was the actual outcome? A treaty which proved one of the most disappointing bits of diplomatic patchwork to which great and leading nations ever gave approval.

American influence was so often thrown in the wrong direction on several of the most crucial points in dispute. For example, the disregard of the almost impassioned protest of the great soldier of the war, Marshal Foch, with respect to the occupation by France of the left bank of the Rhine. Shutting our ears to his warning words, we helped England selfishly refuse to France the possession of territory well characterized as the back-door through which France had been twice invaded.

Again: we so deeply offended the Italian people that their representatives left the conference in anger, because they saw that the solemn promises made by England and France in the Treaty of London, with respect to the boundaries of Italy, were to become mere "scraps of paper." Irrespective of one's private opinion as to that secret Treaty of London, which had been so instrumental in bringing Italy into the war on the side of the allies, the fact remained that the treaty was a promise that had been actually made. It ought to have been scrupulously observed. It was America that persuaded the parties to the treaty to go back on their word.

Again, what a strange, clumsy and difficult arrangement was made respecting the City of Danzig and the Polish Corridor. "Settlements" of this sort really settle nothing. Once again, take the handing over of Shantung to Japan, with a mere verbal promise from her to return it to China at some future date. How can this be reconciled with any sound principles? Did it not give Japan just the opportunity she wished for the invasion of the mainland of Asia? Of course, other countries made many and serious mistakes—also. We were not the only bungler.

In assuming the position of "moderator" or that of "candid and disinterested friend," America was a failure, and placed herself where she gained neither influence, respect nor effectiveness.

The Unpopularity of the Role of World Meddler in Others' Affairs

Indeed, if there is a dangerously unpopular and unprofitable role for any nation to play, it is that of an international meddler, a professional "busybody in other men's matters." Especially true is this when such meddling takes the shape of constantly urging upon other peoples a course of action to which they are, both by temperament and past history, utter strangers, and with which they have little or no sympathy.

Yet that is very nearly the position in which the United States is finding herself today. She is a pitiable misfit in the Council of the United Nations, exposed to daily misunderstanding, ridicule and even contempt. Feared, disliked, and mistrusted, she is only tolerated by reason of her size, strength and wealth. She is daily preaching to the peoples of Europe a line of conduct with which they are for the most part absolutely unacquainted.

In his fine work, "The Eastern Question," Professor J. A. R. Marriott makes the following observation:

"It was said of modern Italy, perhaps with truth, that she was made too quickly. The saying is certainly true of Bulgaria. Her young men and old men were alike in a hurry. Without any training whatever in the most difficult of all political arts, that of self-government, Bulgaria adopted a form of constitution which presupposed a long political apprenticeship . . . The constitution reflected, in every clause, the work of the *doctrinaire*." (p. 350 "The Eastern Question," by Sir J. A. R. Marriott).

Without much exaggeration, this criticism might be extended to most of the countries and peoples of Europe today. They are doctrinaires in real liberty and free government. When we talk to them of free institutions, we are speaking to them in an almost unknown tongue.

Are we to persevere in this hopeless and uninspiring line of action? Is there not something better and wiser both for us and the people of Europe? In return for our tremendous sacrifices in life, treasure, prestige and international respect and standing, can we do nothing better than keep telling the people of Europe to behave themselves, and be honest and kindly-disposed to their neighbors? Must we always act the part of Mrs. Jellyby in Dickens' great novel "Bleak House"? That well-intentioned lady made herself a nuisance to the very people, the poor, whom she so ostentatiously sought to assist.

The attempt to govern the whole world by one organization is founded on a misconception, and is a failure. One of the great weaknesses of the old Empire of Austria, the "dual monarchy," was the lack of cohesion or of common sympathy and national interest in the people over whom the Hapsburgs reigned.

"Out of the 51,000,000 subjects of the Emperor Francis Joseph, about 10,000,000 were Magyars—these forming a compact mass in Hungary; about 11,000,000 were German; about 26,000,000 were Slavs. Of the latter, about 7,000,000 belonged to the Serbo-Croatian or Southern Slav branch of the great Slav family."—"A History of Europe" 1815-1923 by Sir J. A. R. Marriott (p. 428).

Regional Groups—A United States of Europe

Is it any wonder that an empire so loosely strung together could not command the support of its subjects, and—in the words of one of its public men—was "like a clock run down," and came to its end, "unwept, unhonored and unsung"? There is indeed a far better line of action, and it is through regional groups.

In the light of what has been shown, there would seem to be just one clear course ahead for us. The United States should retire from an organization so ill-conceived as this world parliament, where she is an alien; distrusted because of her geographical position, her past history and present ideals, and also because of her lack of understanding or sympathy with the hatreds, prejudices and age-long animosities of the Old World. The sooner, the better. But this is not in order to leave a continent in a welter of confusion, with no suggestion of better things to come.

In urging the withdrawal of the United States from the "United Nations," it is not meant that our country should refuse to participate in settling the boundaries of Germany, Austria, etc. In view of our major part in the war, we are entitled to be a party to such a settlement, and perhaps ought to be such, on other grounds also. But this is very different from our remaining a permanent member of U. N. From that unhappy, ill-contrived organization we can not withdraw too soon. The very difficulties arising between Great Britain and ourselves over Palestine, emphasized by Mr. Bevin, even as this article was being concluded, furnish added reason for our getting out. Withdrawal need not mean that we may not furnish food to the starving, and even make a "loan," if we care again to make it on such unpromising outlook for repayment.

On the contrary, there would then be possible the setting up of an organization which is championed by the ablest and wisest statesman now alive, Mr. Winston Churchill. That profound thinker and energetic actor is urging the creation of a United States of Europe. He and some twenty or more eminent Englishmen have formed a committee to endeavor to put the idea into practical form. While it will be a difficult task to draft the constitution for such a union, the chance of success is far greater than for so motley a group as the United Nations, or for any World Assembly.

In the issue of the "Commercial and Financial Chronicle" of January 4, 1945, the writer tried to point out some of the abortive efforts made by the leading powers of Europe during the 19th century, to work in harmony when occasion called for common action. The picture was not a cheerful one; but, if such a limited plan of union is not within accomplishment, much more not is any World Federation. The plan is well worth trying, for it seems the only one that has a faint promise of success.

No world organization can hope successfully to cope with and overcome the intricacies and selfishness and cross-currents of ambition that make up what is called by courtesy "European diplomacy." Help from far-distant China, or from unsympathetic and ignorant America simply adds perplexities to an already sufficiently confused situation.

National Ignorance of Others

As a homely way of testing the truth of this, let us ask ourselves questions like these: How much do we Americans know of the customs and manner of life of the people of continental Europe? Are we not almost as ignorant of this as we are of the people of Arabia? Coming a little closer home, have we any really intimate knowledge of the feelings and likes and dislikes of Englishmen, Scotchmen and Irishmen? On their part, do they not make amusing blunders about ourselves, our political parties, our ways of doing business, and our national ideals?

Has not our own United States embraced almost as widely spread and diversified a lot of people as can safely be included under one central government? We have wide divergencies among ourselves, in spite of the many forces and traditions that tend to hold us together in common action and unity of thought. Southern people are widely different in many respects, not only from New Englanders, but also from Pennsylvanians and Ohioans. Westerners have marked distinctions from the people of the Atlantic Seaboard; and those on the Pacific slope have their own peculiar point of view. Yet, as already observed, we are, in a general sense, one people, possessing an interchange of ideas through newspapers, magazines, radio and travel, which finds but little counterpart anywhere in continental Europe.

If we honestly recognize these facts as to national diversity, it requires but little thought to see that such a thing as a world confederation, under one central government, is a thing of folly, a dream of the wildest imagining. To bring together the people of Europe into one harmonious, or reasonably harmonious, "concert" would be a long step in the right direction. It would be the old "concert of Europe" on a larger and better scale.

The presence of Russia is, of course, a serious source of discord. If our own union of States had been obliged to endure a single state which was as dissimilar from the others as Russia is from the other states of Europe, it is to be feared that our history would have been far less peaceful and satisfactory than it has been.

We had our Civil War, but the question there at issue was settled, and the settlement has been accepted. The states of continental Europe have not yet learned the lesson of compromise. But if they cannot form a United States of Europe, what folly it is to talk of a United Nations of the world!

Of course, the cry of isolationism will be raised against what we have thus far said. But the charge is foolish; for there is a far better way of doing things than by our constantly nagging the people of Europe. And, in the last analysis, Europe must manage her own affairs herself. We in the western world cannot do it for her; we can be of use in another way.

The United States and the Western World

If there be room for a United States of Europe, there is also room for some much closer understanding between the countries which make up the Western World. Not that the writer favors a formal political organization; far from it. It is not political machinery that is needed over here, but a far different attitude on the part of the United States to her neighbors, especially to Mexico and Argentina.

Here we have a truly useful and noble chance to show ourselves a friend and moral leader to those who are so close to us geographically. Our career in the past, and especially in the very recent past, has not endeared us. Ever since the old Mexican War of 1846, accompanied by the enforced sale of so much valuable territory.—California, Arizona, New Mexico—our southern neighbors have watched with anxiety the growth of the convenient doctrine of "manifest destiny," which was coined just before that Mexican War. In spite of our "good neighbor" policy of very recent times, we are intensely disliked, especially in Argentina and Mexico. The daily press supplies so much information as to this, that it is needless to enlarge upon it.

Here, therefore, is a really fine field for our only true leadership; it lies not 3,000 miles or more away, but almost on our doorstep. A really united Western World would be a tremendous object-lesson to Europe, an "eye-opener" to Asia, a steadying and reassuring influence to the whole world. *Our actual influence would be greater than is ever possible now.*

There would still be opportunities for an extension of our own influence into affairs of the Old World, but they would be on rare occasions, and would be heeded all the more because they were seldom exerted. At long intervals, we have done this with effect in the past. Once when Mr. Monroe, in 1823, sent such a famous message to Congress as helped materially in bringing to an end the iniquitous "Holy Alliance" of continental Europe.

Once again when President Theodore Roosevelt succeeded in using his good influences to put a stop to the wretched and disastrous Russo-Japanese War by the Treaty of Portsmouth in 1905. By that action the United States did the whole world a great and lasting benefit.

Again, in 1916, President Wilson questioned the warring powers of Europe as to what would satisfy them as the basis of making a permanent peace. He was, indeed, unable to continue this line of negotiation, but he evidently would have done so, and would probably have succeeded, if events had not arisen which seemed to require our own intervention by arms.

If we could bring ourselves to realize the immense opportunities we possess for doing good to the world by other means than constant intermeddling directly with other people's quarrels and if we would reserve our influence for special circumstances and occasions only, we should make a long step in the right direction. We should then abandon the ambitious dream of keeping distant countries and tribes at peace, because we should have come to realize that we had embarked on a quixotic piece of knight-errant folly, and we were making ourselves ridiculous.

While sending our soldier-boys and sailors to maintain order in the Balkans or in China, the streets of New York are not safe for our own citizens, but are affording daily exhibitions of highway robbery and murder that have rivaled the most brilliant exploits of the notorious Dick Turpin in England in former times, and our own western Jesse James, in modern days.

Sardik Food Products Stock Offered by Breen

Offering of 30,000 shares of no par value cumulative preferred stock of Sardik Food Products Corp. was made March 25 by George F. Breen. The stock was priced to the public at $10 per share.

Proceeds from the sale of these shares will be used to purchase additional high speed and labor saving equipment to be installed in the company's four plants which are engaged in the processing of raw food materials by various methods such as canning, dehydrating and freezing. The balance will be added to working capital.

The stock is redeemable at $11 per share on or before Jan. 1, 1952 and at $10.50 per share thereafter. It is convertible into common stock on a share for share basis.

Blair & Co. Elects Directors; Adds to Staff

Blair & Co., Inc. announces that John D. C. Towne, Jr. and Robert W. Tyson, Jr., Vice-Presidents, have been elected to the Board of Directors.

Donald Finlay McRae has become associated with them in their sales department.

Free Markets and the Free Enterprise System

(Continued from page 1647)

that of every other. The freedom lies not only in the opportunity, but in the **equality** of that opportunity. Under conditions of freedom, each must be able to choose for himself so that he can find out what he can do best. This is the element of self-determination.

At once, however, it is important to note that "selves" are different. No two individuals are alike. You and I are not the same. And accordingly the opportunities that you and I and other individuals have are limited by the particular characteristics that make us individuals. Your chance, or opportunity, therefore, is not the same as your brother's. Equality then, is not uniformity; it is not sameness. It does not lead to regimentation.

Equal opportunity means a chance to show not only what you can do, but also what you can **not** do. It gives you a chance to run in the race, but it does not assure you of winning.

Whenever a government subsidizes one group or discriminates against another, it interferes with equal opportunity and with freedom.

Some of the main characteristics of freedom as as follows:

(1) Freedom Is Positive. It tells us what to do in order to stay free—to avoid control, or not—freedom. One great trouble with us is that we are apt to think of it as negative and always telling us what **not** to do. We will never be safe from oppression till we not only fight coercion, but also cooperate, so as to make it unnecessary to repress violent clashes of interest and widespread anti-social acts such as general strikes and unfair methods of competition.

Until we come to regard freedom as something more than mere absence of coercion, we will never understand it, simply because coercion itself is merely the absence of freedom. That, you see, leaves our thought in a complete circle.

(2) Freedom Is Individual. It speaks to you and to me as individuals, when it tells us what to do. Government exists for the individuals who are its citizens; and merely provides rules for the game of self-determination. A government is free only when its individual citizens are free!

An important corollary is that self-determination depends largely on the individual self, and, since each self is different, there must be differences of attainment and achievement. Men differ in ability to see opportunities, and in energy for grasping them when seen. Thus equal opportunity means different results, and freedom brings superior rewards for superior abilities. Differential wages for superior workers, differential profits for superior enterprisers, differential rents for superior lands — these are necessary results of freedom.

Equalization of incomes can exist only under a system of coercive regimentation that makes some men work for less than they produce, in order to give others more than they earn.

But look to it that the "differentials" of freedom are not swollen by fraud and exploitation. Free individuals must be socially-minded individuals.

(3) Freedom Works Automatically. It lies in competition, for that leads to an adjustment among competitors that brings cooperation, and is voluntary. There can be no equilibrium of independent forces except under a condition of competition that works automatically.

(4) Thus Freedom Is Based Upon Standards. A standard is nothing but a voluntarily-accepted rule. Accepted rules of social conduct, beauty, goodness, or market value, are "standards." Such rules are our main defence against rulers!

But in this broad sense of the word, there are many degrees of standardization, and it is most important to understand how much depends upon the nature and degree of the acceptance given to the rule. The only true acceptance of a rule or standard is one that is entirely voluntary and general among the individuals who are concerned. In real life, a standard is not complete unless it is **freely** accepted, and is so **generally** accepted that it characterizes the action of the whole group.

In a word, standards make self-determination mutual and "mutual self-determination" is one of the best definitions of freedom.

These aspects of freedom head up in the ideas of "objectivity" and "science." Only under freedom, can you expect large groups of individuals to accept rules as being true and valid in an objective sense. Only under freely-determined equilibrium, can scientific laws exist.

Let me illustrate. I am in the classroom. It seems to me to be too hot. I ask the class. If all agree, then an objectively-determined fact exists, and we open the window by mutual consent. If, however, some disagree, what do we do? We turn to the thermometer. That gives us an objective measurement, and the dissenters voluntarily submit either to opening the window or to keeping it closed, as the case may be. That is freedom. Each person in the room has equal opportunity. Each voluntarily accepts the rule of the majority and the thermometer! The thermometer is the standard.

Just so in markets. Unless we know the price is objectively determined we have our doubts about its validity as representing the equilibrium value. And unless we have standard money for expressing the price we have no accurate thermometer. In such cases there can be not complete freedom of exchange.

Free enterprise and free markets therefore are just parts of freedom. Free enterprise and free markets mean equal opportunity for enterprise and for exchange, based on positive rights for individuals automatically competing according to voluntarily-accepted rules, or standards.

But note well that free enterprise and free markets are **necessary** parts of freedom. General freedom requires free enterprise and free markets.

Free enterprise means free individual choice on the part of those who direct production. In a word, it is enterprise carried on by free men.

But this is impossible without free markets. It is futile to talk of free enterprise, and then to fix prices and control production. Free markets are just markets in which free enterprisers sell goods to free buyers.

II. Why Do We Want Freedom?

Or, do we?

Many people in this world, and not a few in this country, do not really want freedom. Many want license. Many want what they call security. But these things are very different from freedom.

I would say that one large group of individuals who do not want real freedom are found among the so-called "have-nots." I mean by these, not merely people who do not have much wealth or income, but people who believe in taking that which others have. There are have-not nations. There are have-not pressure groups within our own nation. There are have-not individuals who are willing to accept regimentation as a means of levelling down and taking away what others have — the "share-the-wealth idea," internationally known as the quest for **lebensraum.**

Among many, too there is the great fear of insecurity. This cuts two ways. On the one hand, many people in poverty are willing to accept the chains of central government control in return for a secure minimum of material well-being. At the other extreme, the very wealthy are willing to accept similar chains in order to maintain the "order" which they hope to secure under some Fascist form of social organization. Both these kinds of appeasers of autocracy exist in our midst.

Today, we are in the midst of a worldwide experiment with collectivism, which is a form of social organization that subordinates the individual to central control and arbitrarily deprives him of his freedom of choice. Under collectivism, equality means, not equal opportunity, but uniformity of income.

In Russia we find Communism which is based upon the equal treatment of unequals—the harshest form of tyranny. In Sweden we find that radical form of labor tyranny known as Cooperation, and one which now appears to be selling out to Communism. In France we find Syndicalism, closely affiliated with Communism. And in Great Britain, the land of the Magna Charta and the home of Capitalism, we see Socialism and economic decay.

How about our own country? Have we not had a weird mixture of American idealism with Russian Communism, poured into the dirty pan of American politics and seasoned with the purchasing-power-creation sauce of J. M. Keynes? We ourselves have at least had a mild case of this worldwide experimentation with collectivism.

One thing I know: the majority of the people of the United States want freedom, as I have defined it.

Another thing I know is that I, and therefore many others, prefer freedom on three separate counts: (1) I instinctively feel a preference for it. (2) My abstract reasoning leads me to conclude in its favor. (3) Empirical evidence of its material advantageous convince me.

Among my reflex tendencies, sometimes called instincts, is one that demands self expression. This "urge" is well known to educators and psychologists. I ask, how can it be gratified in a regime of control where the individual is not free to determine either his consumption or his productive activities? Another innate feeling is what may be called a sense of justice, and a notable part of this is a feeling that I have a claim on anything I have made. This leads to the feeling that I am rewarded fairly when I am paid all that I produce, no more and no less. Here, again, such a system of rewards is to be found no where except in a free society.

Even more powerful in influencing me, are the conclusions based upon strict logic. Reason tells me that the essence of truth is an observable relation between cause and effect. This leads straight to the system of equal opportunity and incentive rewards, in the following ways:

It leads to the conclusion that the maximum production may be attained only under freedom, the reason being twofold. First, it gives incentive rewards based upon productivity, which bring out the maximum continuous efforts, of individuals under any normal or usual circumstances. Second, it provides the most effective means of determining the specialization and division of labor, by which we not only find a place for every man but put every man in his place.

Reason, again, tells me that a fair distribution of the proceeds of industry is unlikely to be achieved except under industrial freedom, and accordingly that social stability is best served thereby. Only under an equilibrium of economic forces freely arrived at, and **therefore freely accepted,** is a condition of social stability likely to be permanent. Without such an equilibrium, coercion is necessary. The essence of a free economy is free equilibrium. The essence of an unfree economy is regimetation, articulation, "production-for-service," or whatever the authoritarian semantics may call it.

If you are not convinced by my analysis of instinct and reason, I fall back on empirical evidence as to the success of free enterprice in free markets. Two widely-accepted criteria of such success may be mentioned: real wages and the standard of living. Both of these criteria show higher results in the United States than in any authoritarian state, probably higher than in any other nation in the world.

Some results recently stated by R. T. Haslam are as follows: It takes one hour of labor to make a cotton shirt in the United States, four hours in Great Britain, and nine-and-a-half hours in pre-war Germany. It takes 60 hours of labor to make a radio in the United States, 171 hours in Great Britain, and 262 hours in Sweden. The coal that it takes an American miner one hour to produce requires seven hours in Russia.

And although the United States has but about 6% of the total population of the world, its people have 75% of all the automobiles in the world, 54% of the refrigerators, 50% of the radios, and one-third of the soap.

Is it any wonder that we are continually policing our shores to keep the people from other countries from coming in? But whoever heard of anybody trying to emigrate to Russia?

In most countries today we see great scarcity, financial ruin, and oppression. Certainly one can not say that collectivist planning or central control gives any assurance of prosperity or freedom. Our so-called "planless economy" has worked at least as well as the economy of any other nation.

That leaves our greater freedom as a net gain!

And, at that, we have never closely approached the perfection of our institutions or the full attainment of our ideals. We have restricted trade, endured a bad monetary system, and suffered much unwise government interference. We have failed to adopt the best rules for the game of economic life as we play it here.

I know no more encouraging fact than that the most conservative American economist, the staunchest defender of private enterprise, could tell you dozens of ways to reform and improve our economic system.

III. How to Get Free Markets For Free Enterprise?

1. Standard Money

The first definite essential to economic freedom today is **monetary freedom.** And the essence of monetary freedom is the adoption of a monetary standard to serve as a basis for the nation's system of money and credit. Without such a basis, we are forced to rely upon a so-called managed currency — which leads to the final futility of a so-called managed debt—and a managed currency can work only in a completely-managed economy.

For centuries, the tyrants of the world have sought to perpetuate their power by debasing the currency. You can almost say that tyranny is built on paper!

Prior to freedom of trade, the individual had few rights. He was loaded with duties, duties to church and to crown. That was Feudalism.

Then three things happened—the Protestant Reformation in religion, the Humanistic Renaissance in learning, and the Magna Charta in politics. And all three headed up in the rights of the individual. These spelled political freedom for him—the right to vote. But, fully as important as that, they spelled economic freedom — the right to trade — the right to produce according to one's abilities, and to consume according to one's tastes.

This was made possible only by growing freedom of exchange. And that rested upon the growing use of money, which, in the beginning was on a direct metallic standard, gold, or her sister, silver, serving as the chief medium. And as trade grew, freedom grew. Trading depends on good roads and good money.

But, as though sensing the danger to tyrants, the kings of those days sought to debase the coinage, thus disrupting trade. Let Henry VIII pass. Came Louis XV, the inheritor of the debts of Louis XIV. He took up with John Law of Mississippi Bubble fame, who developed a scheme for maintaining the power of the king, by compelling the people to use paper currency. Money, said he, gets its value from "use"; therefore let us make them use paper, and it will get value.

I pass over the tyranny of the Communist-like mobs of the French Revolution that followed. Their Mirabeau, too, had the idea that debt and currency go together. Thus I come to the tyranny of Red Russia. I know no better proof of that tyranny than the absence of a standard money in Russia. It was one of the builders of that tyranny, Lenin, who said (and I quote): "The surest way to destroy Capitalism is to debase money." You see, the man who can't seek work in a free market for a money wage, and who can't seek the goods he wants to buy in a free market for a money price, is not free.

Then came Hitler and his Dr. Schacht, and, building on the Medieval doctrines of Nationalist predecessors, they sought to manage their Fascist economy without any standard for their currency. The "blocked mark" became one symbol of tyranny.

So gold, the symbol of freedom, flowed out, and sought a haven in our shores. Alas, here it met the curse of Keynes. This radical British economist became the prophet of the New Deal, and his central doctrine is that money is a sort of necessary evil to be used as a means of managing what he and his followers always call "the economy"—as if our economic life were a sort of measles! To the Keynesian tyrant, money is just a means of "priming the pump." So the New Deal "leader" seized our gold, repudiated gold bonds, and went on a paper regime. (Talk about "The Crime of '73" when silver was demonetized!) The general idea was to manage the currency so as to manage "the economy"—a tyrannical system of central control over individuals, made possible by freeing the tyrant from the restraints imposed by gold reserves.

There is no pretense now that the United States is on any objective standard of value at home. This is evidenced by the fact that so large a part of the government's activity goes to "managing" the currency, including efforts to fix prices. Nor is it true that internationally we are on some sort of a gold standard. Exchange controls prevail. There is hardly a trace of automatic action whereby the value of the dollar in exchange for other currencies would depend upon its convertibility into gold. Why do foreign traders think gold worth $70 an ounce despite the so-called price of $35 adopted by our Treasury? The function of money is not to serve as a means of central control and social reform. The function of money is to measure objective or free market values — the values upon which economic democracy is built. This requires a standard money unit.

A monetary **standard** provides the only way to make money a freely-accepted medium of exchange. What alternative is there? A managed currency. What is a managed currency? It is a system of making the citizens use the debt of the sovereign — his notes or his bond-secured deposits.

There is just one simple element in the gold standard, namely that the money unit has its value determined by a given quantity of pure gold, through free convertibility and a free gold market.

In any free economy, this principle applies under any circumstances. Under two conditions only is it non-applicable, namely (1) war and (2) Communism. The gold standard and free trade were largely responsible for England's great 19th Century prosperity. Similarly, they can contribute to our prosperity now.

A standard for money provides the only basis for the **stability** of its value. Today, we do not know what a paper dollar is really worth. By the same token, we do not know what quantity of gold there should be in a gold dollar. Incidentally, we do not know what quantity of paper may be issued, and for safety must rely upon some indefinite feeling that already we have too much.

A standard means **reserves** for the currency, which set objective and automatic limits to currency issues. This is essential to confidence.

A standard removes the threat of demands to **"create purchasing power"** by writing up "new money" in the shape of bank deposits based on government debt. (Incidentally, a standard thus prevents the use of government credit for the purpose of buying the votes of the people, and our experience in the past decade indicates that the only way to keep so-called pump-priming from becoming vote-buying is to have the government finally take over and own the pump! Then everybody would have to work for the government.)

A standard insures that the money will not be based on debt, and that the currency will not be a mere monetization of the public debt. The leading currency managers today are precisely in the position of John Law in the days of Louis XV, and their attitude toward the free commercial banking system of the country is one that would involve reducing it to a mere fiscal agency of the government.

Any other system than one based on a standard is an "if" system. If the government limits the currency, and if there is adequate investment and production, and if the currency is generally accepted at a suitable rate of exchange for products, anything would do as money. But one might as well say that if we did not die, we would live forever! The only economy in which it makes no difference what is used for money and in which a so-called money of account," serving merely as tickets, may function successfully, is a completely managed economy; that is, a totalitarian state.

2. Scientific Economics

The second great essential to the preservation of economic freedom in this country is a return to **the scientific principles of Economics**—the acceptance of economic principles based on free individual choice. Such economic principles are scientific in that they seek to explain the cause-and-effect relationships of economic life; they seek to explain the **causes** of economic value, considering the forces of demand and supply as lying in the nature of man and the choices he makes in dealing with his environment. This is "equilibrium economics," or "value economics," so-called because it proceeds from a consideration of the causes of free individual valuations.

It is no mere coincidence that, as the world has moved toward collectivism and the coercion of individuals through managed economy, our chairs of economics have become more and more filled by economists who have no confidence in democracy or competition. Such men are filled with essentially egotistical **notions** about their ability to plan and control what they always call "the economy." They always accept the idea of a managed currency.

Today the condition of Economics is pitiable, as is illustrated by the fact that so many economists prefer to say "I feel this or that," rather than "I think thus and so." Accordingly, business has no logical defense. It has no ideology of science to counteract the ideology of collectivism. It has no "party line" of its own! The ideology of sound business, in a free country, is found in the laws of economic science based upon the study of freely-determined market values.

I want to make a plea to you businessmen to organize a fight against radicalism and pressure groups in American politics, in order that we may preserve free private enterprise.

(a) True Theories for Wages, Interest, Profits, and Money. Consider the **wages-price** situation today. The futility of the whole discussion is apparent, when you reflect that nobody has any idea what wages ought to be. Some take cost of living, some take profits, some take wages in a past period. Nobody has a true theory of wages which is applicable as a practical guide to determining what wages ought to be in the steel industry, the automobile industry, or in any other particular case. Nor do you know where to find out.

When the nation needed an atomic bomb, experts were called together, and in time the atomic bomb was forthcoming. When you want to prevent the disruption of reconversion, and seek a wage formula, you call in vain. This is because we have no accepted economic theory.

You can set up all the collective bargaining schemes in the world, but you will never have them work smoothly unless you have some accepted criteria of what constitutes a fair bargain—a fair wage.

Then, too, there is the false doctrine that **interest** has nothing to do with investment, and can be reduced "nearly to zero!" As long as this Keynesian doctrine prevails, individual saving and investment are in jeopardy.

Or, again, consider the **profits** situation. For nearly a generation, an increasing number of academic economists have been teaching that profits tend to disappear, and that they exist only under conditions of imperfect competition. In this doctrine are the seeds of destruction for enterprise and profits.

Do you know anything about this condition? Have you done anything about it? Yet, you are the enterprisers. You are the ones whose function I seek to explain when I explain the necessity profits, and justify the existence of differential profits, that is profits which are low at the "margin," and high where superior entrepreneurial ability is exercised.

Free private enterprise never is going to be safe, until you free private enterprisers show a fair and intelligent interest in economic theory, including the theory of profits.

This is to say nothing of the common acceptance of fiat currency, and debt management.

So I propose that our enterprisers take intelligent steps to combat and offset the radical propaganda and the pressure-group activity of those who seek to overthrow the system of free private enterprise. I propose that they delegate to the most competent of their number the duty of devoting not part of their time but their entire time to organizing the resistance, and to developing an effective counter attack.

But this they will never do unless and until their efforts are implemented by a broad, true, social-minded theory of economic value. They must have the advice of trained economists who are above suspicion of bias or prejudice. They must aid them in their studies and teaching, and, above all, in maintaining the research and publications which are so important in the development of science.

Economics need more wisely endowed "chairs" and more effective publications, to encourage the scientific study of the forces of demand and supply.

In my opinion, the American Economic Association, and its publication, "The American Economic Review," have for some years been largely dominated by an element which is opposed to the idea of economics as a science, and represents a closed mind as to the possibility of basing economic life upon a system of free individual choice. In too many of our leading colleges and universities, the economics teaching is dominated by the same group.

(b.) Economics Separate From Ethics and Politics. All this involves a separation between **economic values** and ethical or political values, to the end that economic principles may be truly scientific. I mean no elimination or lack of consideration for ethical and political matters. Such values, however, are highly subjective and indefinite. They can afford no basis for general agreement. To mix them with economic considerations, therefore, brings confusion and uncertainty. For example, suppose we are considering some large expenditure for public works. We should first go to the economist to find out what its effect will be on production, and whether the income it brings will cover the costs. Then we should go to the expert in ethics to find out whether the scheme would involve acts that are wrong or bad, such as possible discrimination in taxes to pay for the public works. Finally, we should go to the student of government or politics to find out whether social stability would be weakened by not incurring the expenditure. Then the conclusion may be that, even though no unethical practice would be involved, and though the public work in question might tend somewhat to strengthen the political solidarity of the country, the results would not be worth the costs as set forth by the economist. Or the ethical and political conditions might warrant constructing and operating the public work at an economic loss. However that may be, nothing but confusion comes out of the thought of an economist who conceals his political and ethical bias under the guise of a mere economic judgment.

(c.) The "Price System." Another aspect of the return to economic science and freedom is the restoration of **the price system** which automatically regulates equilibrium of economic forces. This is the system of competition. The price system is one in which the relative importance of things is decided, not by votes, but by economic value resulting from the free play of the forces of demand and supply. In this statement, note well that "demand" means a summation of the desires of the individuals who are the potential buyers, as backed by their earned purchasing power. Similarly, "supply" means a summation of the costs and scarcities that affect the asking prices of sellers, as affected by their holding powers.

Prices are right — not too high or too low — when they represent values which are a free balance between the desires of individual buyers and sellers. There is only one way to get such prices, and that is to let all productive individuals "vote" in free markets by bidding or asking for goods according to what they seem to such individuals to be worth.

No government bureau can make such prices. Even if an all-wise dictator existed, he would have to approximate the results of competitive markets. But in a democracy, that is out of the question. Politics is bound to intrude. Pressure groups arise. Inefficiency in such matters is general, and "squeezes," maladjustments, and discriminatory bonuses or penalties become the rule.

Central control breaks down, unless it covers all the conditions of demand and supply, which leads to a completely managed economy, including a managed currency and control over wages. Such management misdirects and reduces the main incentive to production. Recently, we have seen how it tends to prevent those increases in output which might minimize the effects of inflation.

The price system is the only non-arbitrary and non-coercive way to get an adjustment between demand and supply, that is between different individual choices made by men in their capacities as consumers and producers. Under the price system, individual consumers vote for what they want merchants to carry and manufactures to make, using dollar bills as ballots. At the same time, manufacturers and merchants run for the important office of supplying the millions of consumers with what they want, competition for money income being the means, and cost of payrolls and materials being their campaign expenses. Thus production and consumption are governed by freely-determined prices which show what consumers think it worthwhile to buy and what producers think it worthwhile to sell.

A part of the price system is **the competitive system.** A fundamental definition of competition is free individual choice. This is what gives prices their validity. When a market is competitive, we all tend to accept the values that are established in it as having a special significance based upon our confidence that such values reflect the ideas of buyers and sellers as to the relative importance of the commodity concerned. There is no alternative but monopoly or government price fixing, and government price fixing is merely monopoly practiced by the state.

(d) The Profits System. And so we come to **the profits system** as a part of economic freedom. By this we mean the system in which the production and marketing of goods are determined by free individual initiative working under the price system. The profits system requires that producers shall be motivated by the hope of gain according to their efficiency in supplying the wants of consumers. In Socialism the idea is "from each according to his capacity; to each according to his needs."* Thus Socialism separates the motivation of the producer from the distribution of income among the consumers, and gives no assurance of any balance between supply and demand. Certainly there is **no basis** for automatic or free equilibrium. The profits system is **the opposite**, and provides the **means** whereby free men may function as producers with the assurance that they will always be tending to establish a balance between supply and demand. This is true, simply because the reward of the free enterpriser is, or tends to be, in proportion to his productivity, that is to the value of the products he has to sell.

Nor should it be forgotten for one moment that a cardinal point in favor of the free enterprise system is that it maximizes the incentive to production, both by rewarding efficiency and penalizing inefficiency, thus insuring the **maximum** quantity of goods available for distribution. If anyone doubts the truth of this statement, which by the way is usually accepted even by the radical collectivists, let him look around the world today. Where does one find the problems of shortage and scarcity? Certainly not in the countries where free enterprise prevails. There one finds people worrying about the possibilities of overproduction and temporary disequilibria. Even this is, I think, chiefly the result of a remediable imperfection in the profit system. But even without reform, are the excesses of abundance not better than the excesses of scarcity?

There are two aspects of the profits system which must be thoroughly understood both by businessmen and by the common people, if that system is to endure. One of these is the nature of the **function** performed by the enterpriser. The other is the necessity of **"differential returns"** to superior enterprise.

Enterprise is the cause of profits. If, therefore, we do not understand it, we are unable to define profits. Thus it is vital to understand that the function of enterprise is to make business decisions and assume ultimate responsibility therefore—decisions to buy and to sell, decisions as to organization and direction—decisions upon which the success or failure of the business organization depends. Such decisions, whether made by the state as an enterpriser or by private businessmen, must be made. Therefore, I hold that profits are simply the share in the social income which is attributable to enterprise, whoever may exercise it, and which tends to represent the value of the enterpriser's services. If the enterpriser is to be free, profits must exist as an independently-determined share in the social income. Most emphatically profits do not tend to disappear. They may be turned into losses and be borne by the citizens who are, as it were, the stockholders of the state. (Or should one in these days say, the bondholders?) That does not change the general nature of the problem.

As to **"differentials,"** they are the reward of superior enterprisers. Differences among enterprisers are as sure as differences among horses or dogs—or politicians for that matter. They are bound to mean differences in profits. If, then, the state, through coercion in the form of discriminatory taxes or otherwise, tries to take good profits away from good businessmen, good businessmen will not do their best, production will be restricted, and everybody suffer.

Conclusion: Free enterprise in free markets, subject only to well-established ethical and political regulations.

(e) Free Markets for Capital and Labor. Time forbids a discussion of two other essentials of free economic life: (1) **Free capital, or capitalism.** This means freedom of individuals to save and invest, with a free determination of the value of their services in free money markets. (2) **Free labor, or**

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*In recent years, Russian Communism has altered the slogan to read "from each according to his capacity to each according to his work." This, however, leaves a fundamental inconsistency in motivation since work appears to mean nothing but time put in in connection with some activity dictated by the state, and thus has no relation to production in the economic sense, or to the economic value.

Free Markets and the Free Enterprise System

(Continued from page 1683)

the wages system. This means a motivation of free labor according to the principles of free collective bargaining without monopoly on either side. Both free capital and free labor are based upon a sound economic analysis of the nature and functions of labor and capital. Capital must be kept clearly separate from the idea of land. The idea of labor must be kept clearly separate from the idea of enterprise. Such necessary separation can exist only with the aid of a sound economic analysis of function and the true nature of costs of production.

(f.) A Free Government. And so we come to the final point in our analysis of those conditions which are now most essential to the restoration of economic freedom in this country. This is an understanding of the true **nature and function of what we call government.** By "government" we mean an association of interrelated individuals, existing for the welfare of those individuals, and, being potentially perpetual, for the welfare of their posterity. As already stated, a government is free only when its citizens are free. It exists for the sake of its citizens, and in a democracy depends upon the consent of the governed.

The curse of the past generation has been the tendency to accept the idea of a government as a sort of entity—the idea of the corporate state." This results in subordinating the individual to the state, and making him nothing but a dependent part of the whole—as if the government came first and then divided itself up into individuals. This is the tendency of the political and economic thought of both Fascism and Communism. It finds expression in a managed economy, social planning, central control, or whatever other stock phrase may be used.

The big fact is that men are different. They have different interests and different productive capacities. Thus, although they have many interests in common, they are inevitably led into clashes of interest. If different men are to return their freedom, the only way to compose their differences is through mutual acceptance of government regulations. If, however, they lack the intelligence or self-control to accept the standards that are involved in a democratic government—if they break down into warring classes or pressure groups—then the political dictator emerges. He soon becomes an economic dictator since his political interests lead him to take their wealth away from those who have, to win the votes of the "have-nots." Thus the only way to preserve free economic life, is to preserve free political life.

What then are the functions of a free government?

First I would put the function **of protection and preservation of order.**

Second, comes the provision of what may be called **"public utility" services,** such as a monetary system, highways system, education, sanitation, and the like. Whenever there is no motive for individuals to perform adequately a service of fundamental and general importance, the government may step in. Or whenever individuals are led by self-interest to do things which run counter to the interests of the majority, government action is required. Thus, anti-social acts such as the waste of limited natural resources or the abuse of natural monopolies such as railway and telephone companies possess, may be prevented.

Third, I would put the establishment of **rules for fair competition.**

I think that in addition to these primary functions of government, we may add the promotion of a social point of view through education, and the assumption of leadership in technical and social research. I see no objection to, and possibly much advantage in, any government experimentation which the taxpayers are willing to support, and which depends for its appeal on convincing free people that the results attained are desirable.

But, aside from these fields, what should a free government do? I know of nothing. It is individuals that count, and there is no evidence to show that a direct balancing of individual wants and costs can be attained through any system of voting. Does anyone think that by a Gallup poll we could run the economic life of the nation? It is impossible through government action to balance directly the satisfaction of individual human wants against the dissatisfaction of individual human costs. (For example, individuals who pay most for the improvement of some watershed may live thousands of miles away. Too often, a majority of those who vote taxes pay no direct taxes themselves.)

Again, government action inevitably leads to so much standardization as fairly to be called regimentation. It must be broad and general, dealing with the whose nation or some great class of the people. This prevents that allowance for differences in rewards according to different productive capacities, which is so essential to true equality of opportunity and to freedom. Governments pay too little for big men, and too much for little ones.

Government operation is rigid and slow to adopt itself to changes. Think of the ghastly limitations of committing the changing economic life of dynamic society to so-called "five-year plans"!

It is a disadvantage of government that it necessarily tends to mix political and economic values. Government policies are determined by a system of voting in which each individual casts one ballot, regardless of his tastes or capacities as a producer. It is supported by compulsory levies upon its citizens, which we call taxes, levies which are made regardless of the economic results attained, and have no direct relation to the economic efficiency of the administration.

Motivation in government is not conductive to efficiency, since government officials have great powers, but little responsibility for their acts, and are subject to no close or continuous testing of the value of their services. And they are paid out of taxes.

(g) Sound rules of taxation. As to taxes! Perhaps next most important to a standard for our money is a standard for our taxation. Three sound rules are certain: (1) each and every free citizen should contribute some direct tax payment to the support of government, no matter how little; (2) no one should be forced to contribute so much that he comes to feel that it is not worth while to earn as much as he can; (3) when taxes are required to support unnecessary functions of government, not generally accepted as consistent with the principles of freedom here stated, they are excessive.

Like our "progressive" education, our progressive taxation has gone too far.

Conclusion

In brief conclusion, I would say that free markets and the free enterprise system are essential parts of freedom itself—of free individual choice.

We want these partly because we want them, we being free men; and partly because both reason and empirical evidence indicate important advantages over collectivism.

In order to attain them, we need merely renew and perfect the institutions which we know very well, the chief economic ones being a standard money as a part of a price and profits system preserved by a democratic government which exists by the consent of all the governed.

Here is my analysis in a nutshell:

We have a good thing in our American economic system.

Its essence is free individual choice in consumption and production, as seen in free markets for free enterprisers.

What does one do when one has a good thing? Does one throw it away? Wreck it by radical changes? Fundamentally alter it by revolution? Or stall it by mixing it with inconsistent foreign parts that don't fit, or throwing sand in the bearings?

No, one does none of these things. Let us cling to our good system, for our own benefit and our children's. Let us repair any damages suffered by the original organization. Let us perfect the design, so that it may function more efficiently. Let us not forget to clean out the dirt from the bearings, renew faulty parts, and oil up the governor.

Then let us turn on the power!

Criscuolo Honored By Roman Nobility

Word has just been received from Rome, Italy, that the Capitular Military Order of Concordia, has awarded its highest decoration, that of Bailly Grand Cross, upon Luigi Criscuolo, New York financier and publicist, for philanthropic services rendered to the Italian people. This honor comes to the recipient just before his 60th birthday on March 25, of which 58 have been celebrated in the United States.

Luigi Criscuolo

The order is headed by ranking members of the Roman nobility, among which are General Sebastiano Visconti Prasca, Grand Master, Prince Enrico Barberini and Count Celio Corsi, and others, many of whom are also Knights of Malta. Mr. Criscuolo was named to the category of Justice which is accorded only to members of the ancient nobility of Italy having at least four quarterings on their coats of arms.

King & Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH.—King & Co., Michigan National Bank Building, have added Rollie Workman to their staff.

With Frank Newman Co.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Kenneth B. Stucker has joined the staff of Frank D. Newman Co., Ingraham Building.

Acheson Explains Greek Situation

(Continued from page 1653)

aid and there is no other country to which they may turn.

The problem with which we are faced has a history and a background. Greece's difficulties are not new. But they have become acute as a result of special circumstances.

Long before the war Greece had a hard time making ends meet. Her poverty of natural resources is so great that she has always needed more imports than she could pay for with exports. Only by hand-to-mouth contriving has she been able to maintain a precarious balance in her international economic position. In the past much of her export trade naturally went to central European markets, particularly to Germany; during the thirties she was forced into closer dependence on Germany through clearing agreemen's and other instruments of Nazi economic warfare.

And then came the Italian invasion, the German invasion, four years of cruel enemy occupation, and the scorching of her earth by the retreating enemy. Perhaps no other country in the world has suffered greater destruction of its physical resources than Greece.

I should like to focus your attention upon four conditions which were found to exist at the time of Greece's liberation.

1. Physical destruction had catastrophically impaired Greece's ability to produce, either for home consumption or for exports;

2. Greece's entire fiscal system had been destroyed;

3. The Greek civil service and administrative system had been gravely impaired through the starvation and death of many of its personnel, undermined by infiltration of undesirable elements, demoralized by inflation and the resultant scramble for existence; and

4. The authority of the Greek state was threatened by several thousand armed men who defied, and continue to defy, it in certain areas of the country. This situation in part grew out of the arming of guerilla forces during the war of liberation. Many of these people have retained their weapons and certain bands now use them for fighting to resolve the political differences that might otherwise be peaceably settled. The Greek Government has charged before the Security Council of the United Nations that the insurgent groups operating in northern Greece are assisted from outside Greece by supplies and training in neighboring countries. A commission appointed by the Security Council of the United Nations is now investigating these charges.

In the period of more than two years since its liberation Greece has received substantial relief assistance from the United Nations Relief and Rehabilitation Administration. Great Britain has also extended very substantial aid to Greece in an effort to supplement the relief and reconstruction efforts of UNRRA, and to organize and equip the Greek Army.

However, at the end of this current month outside assistance to Greece is scheduled to stop UNRRA is going out of business in Greece and British assistance, for reasons of which you are aware, is to be discontinued.

The cessation of outside aid to Greece means immediate crisis. Unless help is forthcoming from some other quarter, Greece's economy will quickly collapse, very possibly carrying away with it the authority of the government and its power to maintain order and the essential services.

The information reported to us by the Greek and British Governments in regard to conditions in Greece has been corroborated by reports we have received from the American Ambassador in Greece and from the American economic mission which has been in Greece at the invitation of the Greek Government inquiring into economic conditions there.

Essential imports for civilians and for the army under the circumstances can continue for only a few weeks. Two weeks ago the dollar resources available to Greece were only $14 million—enough for one month's imports of food and other essentials from the United States and other countries If imports should cease, the price of such goods as are available would very rapidly reach astronomical figures. This is inflation. Its result in a country so dependent upon imports would be paralysis of the government and of economic life. It would also very probably mean the end of Greek freedom and independence.

The armed bands in the north, under Communist leadership, are already fighting. In the event of economic collapse and government paralysis, these bands would undoubtedly increase in strength until they took over Greece and instituted a totalitarian government similar to those prevailing in countries to the north of Greece. The rule of an armed minority would fasten itself upon the people of Greece.

In this critical situation, Greece has urgently asked the United States for help. She requests financial assistance for the following purposes: (1) To enable her to carry on essential imports of food, clothing and fuel necessary for the subsistence of her people; (2) to enable her to organize and equip her army in such a way that it will be able to restore order throughout her territory; and (3) to enable her to begin the process of reconstruction by putting her production facilities in order. (4) Finally, Greece requests the aid of experienced American administrative, economic and technical personnel to assure the effective utilization of whatever financial aid may be extended her and to help her to begin the reconstruction of her own economy and public administration.

The situation in Turkey is substantially different, but Turkey also needs our help. The Turkish Army has been mobilized since the beginning of World War II and this has put a severe strain upon the national economy. During the war Turkey received substantial assistance from Great Britain and the United States, which helped her to carry this load.

Today the Turkish economy is no longer able to carry the full load required for its national defense and at the same time proceed with that economic development which is necessary to keep the country in sound condition. With some help from the United States, and further assistance which Turkey may be able to negotiate with United Nations financial organs, Turkey should be in a position to continue the development of her own resources and increase her productivity, while at the same time maintaining her national defenses at a level necessary to protect her freedom and independence.

The present proposals do not include our sending troops to Greece or Turkey. We have not been asked to do so. We do not foresee any need to do so. And we do not intend to do so. We have no understandings with either Greece or Turkey, oral or otherwise, in regard to the sending of troops to those countries.

Our military missions to Greece and Turkey will be small ones, whose task will probably be to find out the local needs for military equipment and to see to it that needed material is delivered and in the hands of the proper authorities. Our missions will consist only of observers and advisors.

In Greece, some British troops remain who landed there for liberation purposes. The British Government has recently announced its intention of withdrawing its troops in the near future. There is also in Greece a British military mission whose members act as advisers and instructions with the Greek military forces.

Questions submitted to the Department of State appear to assume that the presence of those forces will mean that the British Government will direct the policies of the Greek Government while the United States supplies necessary economic aid. This is not the case.

The United States has not made any agreement with the British Government with reference to the implementation of the proposed plan of assistance to Greece and Turkey. If the proposed program is authorized by the Congress, its implementation will be worked out through agreements with Greece and Turkey and with the aid of United States personnel.

I wish to reiterate that the United States, in undertaking aid to Greece and Turkey, is not assuming British obligations or underwriting British policy there or elsewhere. We propose, rather, a program designed by this government to promote stability in Greece, Turkey, and the Middle East generally and thereby to pave the way for peaceful and democratic development.

In the present instance, we are proposing to respond to certain requests made to us by the Greek and Turkish Governments, and our program is designed to assist those countries in certain announced ways. We have been asked whether this establishes a pattern for all future requests for American assistance.

Any requests of foreign countries for aid will have to be considered according to the circumstances in each individual case. In another case we would have to study whether the country in question really needs assistance, whether the request is consistent with American foreign policy, whether the request for assistance is sincere, and whether assistance by the United States would be effective in meeting the problems of that country. It cannot be assumed, therefore, that this government would necessary undertake measures in any other country identical or even closely similar to those proposed for Greece and Turkey.

The situation of Greece and Turkey confronts us with only two alternatives. We can either grant aid to those countries or we can deny that aid. There is no possibility of putting the responsibility for extending the aid which Greece has asked from the United States on some other nation or upon the United Nations.

This becomes clear when we consider the specific problems that confront Greece today and the specific kinds of assistance that Greece has requested from the United Nations on the one hand, and from the United States on the other.

Let us consider first the problem arising from outside Greece's borders. Greece has charged before the Security Council that armed bands operating within her territory are partly supplied, trained and given refuge in Yugoslavia, Bulgaria, and Albania, and that these bands are moving back and forth across the border. Greece has asked the United Nations for help in dealing with this situation, and the Security Council has appointed a commission which is at the present moment investigating the Greek charges on the spot. It is expected that this Commission will begin writing its report early in April and that report should be ready shortly thereafter.

We do not know what the report will contain or the action that may be taken by the United Nations upon it. We hope and believe that United Nations action in this matter will result in the cessation of disturbances along Greece's northern borders. Such a result would be a most vital contribution to the situation in Greece and make possible the task of stabilization and rehabilitation. It would not be a substitute for the assistance which Greece has asked from the United States. More is needed to deal with internal disorder and economic breakdown.

The second problem confronting the Greek Government is the need for supplies and funds to enable it to cope with its internal difficulties, namely, the restoration of order in the country and the averting of economic collapse. The United Nations Relief and Rehabilitation Administration and the British Government have been helping Greece with these particular problems, and the present crisis has arisen because those two supports must be withdrawn.

To whom was Greece to turn? The Food and Agriculture Organization of the United Nations which recently sent a mission to Greece recommended that the Greek Government request the Economic and Social Council of the United Nations and the United States and the United Kingdom to extend aid to it in securing funds for the continuation of essential food and other imports to cover the period after UNRRA'S withdrawal, until expanding exports, international development loans and expanding production should enable Greece to balance its international accounts.

If Greece had applied to the United Nations or any of its related organizations, the essential element of time would have been lost and the end result would have been the same. The funds would have to come primarily from the United States. The United Nations does not of itself possess funds. The Economic and Social Council is an advisory body that recommends economic, financial and social action to member states. The International Bank, which is just now completing its organization, is set up primarily to make self-liquidating loans for long-term reconstruction purposes. It has not yet made any loans whatsoever. The Economic Commission for Europe is still in its early organization stage.

It may be that at some future time the United Nations will be organized and equipped so as to render emergency aid to member states of the kind now needed in Greece and Turkey. But as the President said, the United Nations and its related organizations are not now in position to extend help of the kind that is required. Even if some organ of the United Nations should decide to recommend assistance to Greece and Turkey, it would have eventually to turn primarily to the United States for funds and supplies and technical assistance. Even if the project were not blocked by the objections of certain members of the United Nations, much time would have been lost, and time is of the essence.

One hundred twenty-three years ago Daniel Webster spoke in the United States House of Representatives in favor of a resolution looking toward aid to Greece which country was then striving for her independence. Then, too, time was of the essence. He said:

"Mr. Chairman, there are some things which, to be well done, must be promptly done. If we even determine to do the thing that is now proposed, we may do it too late. Sir, I am not one of those who are for withholding aid when it is most urgently needed, and when the stress is past, and the aid no longer necessary, overwhelming the sufferer with caresses. I will not stand by and see my fellow man drowning without stretching out a hand to help him, till he has by his own efforts and presence of mind reached the shore in safety, and then encumber him with aid. With suffering Greece, now is the crisis of her fate—her great, it may be her last, struggle. Sir, while we sit here deliberating, her destiny may be decided."

The United Nations is an organization designed to keep the peace and to promote friendly relations among nations as well as orderly economic, social, cultural and humanitarian progress. However, it would be a tragedy, and a travesty upon logic, if an overestimate of the immediate powers of the United Nations should succeed in preventing this country from using its wealth and influence to help create those very conditions of economic and political stability which are necessary if the United Nations is to develop into a stronger organization over a period of years.

By membership in the United Nations neither the United States or any other country has absolved itself of its responsibility for fostering through its own action the same objective as the Charter sets for the United Nations.

The third problem confronting Greece is one of expert personnel. Greece has linked this problem, and we heartily concur, with the supply of funds. Greece is in the most serious need of expert advice and assistance. We believe, and we think Congress believes, that the expenditure of American funds in Greece and Turkey should be supervised by American experts.

The proposals now before the Congress deal with the emergency aspects of the problem.

In the longer range, the United Nations may be able to take over various parts of the economic and financial problem in Greece and Turkey. We are giving serious study and consideration to ways in which the United Nations may take hold of this problem after the present emergency is past.

I have said that the two alternatives that are before us are to give the help requested, or to deny it. An essential step in considering the wisdom of any policy is to look at the alternatives. What are the probable consequences of *not* extending aid to Greece and Turkey?

I have already indicated what would be more than likely happen in Greece. As the President said, however, it is necessary only to glance at the map to realize that the survival and integrity of Greece is of grave importance in a much wider situation. The inexorable facts of geography link the future of Greece and Turkey. Should the integrity and independence of Greece be lost or compromised, the effect upon Turkey is inevitable.

But the effect is even wider. Consider for a moment the situation of the countries to the east and south of Turkey. All of them are confronted with the accumulated problems of the past and of the war. Some of them are just emerging into statehood. These nations wish and should be able to develop and maintain free institutions and individual liberties, but untoward circumstances may force them in the other direction. Will these countries be able to solve the extremely difficult problems that confront them in ways compatible with free institutions and individual liberty? It is vital to our own interests to do all in our power to help them solve their economic difficulties in such a way that their choice will be in favor of freedom.

I need not emphasize to you what would more than likely be the effect on the nations in the Middle East of a collapse in Greece and Turkey, and the installation of totalitarian regimes there. Both from the point of view of economics and morale, the effects upon countries to the east would be enormous, especially if the failure in Greece and Turkey should come about as the result of the failure of this great democracy to come to their aid. On the other hand, I ask you to consider the effects on their morale and their internal development should Greece and Turkey receive a helping hand from the United States, the country with which they closely associate the principles of freedom. It is not too much to say that the outcome in Greece and Turkey will be watched with deep concern throughout the vast area from the Dardanelles to the China Sea.

It is also being watched with deepest anxiety by the peoples to the west, particularly the peoples of Europe who, as the President said, are struggling against great difficulties to maintain their freedom and independence while they repair the damages of war.

As the President said, it would be an unspeakable tragedy if those 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 the world. Discouragement and possible failure would quickly be the lot of neighboring people striving to maintain their freedom and independence.

It is feared in some quarters that the proposed United States program for Greece constitutes a blanket endorsement of its present government. Others have suggested that the United States make its assistance conditional on changes in the composition of the Greek Government.

As to the first point, I can do no better than to emphasize the President's declaration that we do not condone everything the present Greek Government has done or will do. As to the second, I do not think that such interference in Greek affairs would be justified.

The present parliament of Greece was democratically elected in an election which foreign observers agreed was fair. There can be no doubt that it represents the majority of the Greek people. The present Greek Cabinet contains representatives of 85% of the members of the Greek Parliament. The mere fact that Greece has a king does not necessarily make Greece's form of government less democratic than that of other countries, as is shown for instance by the governments of Norway, Sweden, Denmark, the Netherlands and Great Britain.

It is not the object of our aid to Greece either to help to maintain or to help to remove the present government or the King of Greece. It is our object to help to maintain the present constitutional system of Greece so long as the majority of Greeks desire it, and to help Greece create conditions in which its free institutions can develop in a more normal fashion.

In Greece today we do not have a choice between a perfect democracy and an imperfect democracy. The question is whether there shall be any democracy at all. If the armed minorities that now threaten Greece's political and economic stability were to gain control, free institutions and human freedoms would disappear and democratic progress would come to an abrupt halt.

It is not claimed that all persons involved in the present armed challenge to the Greek Government are communist. There are among them many persons who honestly, but in our opinion mistakenly, support the communist led forces because they do not like the present Greek Government. The political amnesty offered by the Greek Government offers to all the opportunity to cooperate in making democratic Greek institutions work.

We are planning aid to Greece with the hope and intention that conditions will be created in which the Greek Government can achieve more efficient administration and perfect its democratic processes. Moreover, we consider that the steps which the Greek Government would take in carrying through a program of reconstruction would necessarily contribute to this result.

It is charged that the composition of the present Greek Parliament and Government was affected by the fears and crises of the period in which the election was held. This may be true. It would be strange if it were not. But it is also true that the help which we now propose will create a greater degree of economic stability and a greater measure of freedom from fear. Greek political processes under Greece's constitutional system will thus operate under greatly improved conditions, and in those improved conditions the Greek people will have ample opportunity to register any changes that may occur in their will.

Since our primary purpose is to help people who are struggling to maintain the present constitution and their right to democratic development, we would not, of course, want to continue this aid if we should find that our efforts were being frustrated by antidemocratic practices.

I want to make it clear that the aid we propose to extend to Greece and Turkey has been requested by those countries and cannot by any fair interpretation be considered as interference in the affairs of other countries. Our aid will not be continued any longer than it may be needed or wanted by those countries.

One final word. In recent discussion of these proposals the question has been put to me whether they contain the possibility of friction which lead to war. I think that quite the opposite is true. These proposals are designed to increase the stability of, and to further the opportunity for democratic development in, two countries most important to the world community. These are not acts which lead to war.

They lead in the other direction. They help to maintain the integrity and independence—what the United Nations Charter calls the "sovereign equality"—of states. That is one of the principles upon which the whole effort to organize the world for peace is founded.

NYSE Closing Saturday During Summer Months

In announcing that the Board of Governors, at its meeting on March 6 had decided that the Exchange will be closed on Saturdays, starting May 31 and continuing through June, July, August and September, Emil Schram, President, said:

"We are following the schedule that was adopted last year by closing on Saturdays during the summer months. No action was taken with respect to suggestions that the Exchange be closed on Saturdays throughout the year, this being a subject that will require further consideration in all of its various aspects. The Exchange is today, more than ever, a national institution and its facilities are used by buyers and sellers of securities living in all parts of the United States."

E. E. Burkhard Co. Formed

(Special to The Financial Chronicle)

CHICAGO, ILL.—E. E. Burkhard has formed E. E. Burkhard & Co., with offices at 4423 North Sheridan Road, to engage in the securities business.

Joins Dempsey Co. Staff

(Special to The Financial Chronicle)

CHICAGO, ILL.—Albert J. Ellison, Jr., has joined the staff of Dempsey & Co., 135 South La Salle Street, members of the Chicago Stock Exchange.

Testing Our Foreign Policy

(Continued from page 1651)

along with democracies and democracies with dictatorships.

Once military victory in a war of survival becomes a nation's sole aim, military expediency dictates objectives and procedures. Thus we found ourselves for a time in alliance with the traitorous Vichy dictatorship against the people of France. We found ourselves later supporting Marshal Badoglio and King Victor Immanuel against the Italian people. We found ourselves buying Spanish so-called neutrality by supplying Francisco Franco with the means of continuing to oppress the Spanish people. These were all policies dictated by military expediency to save lives and to hasten victory in the war of survival. They did, for the moment, perhaps, hasten victory and save lives. But they left a heritage of confusion which later brought victory without peace—a confusion out of which there emerged, at the very moment of victory, the threat of another and more terrible war.

Our own dim vision of what was actually happening in the world was further obscured by the fact that our closest ally, Great Britain, was fighting a different kind of war of survival. Survival meant to us literally keeping our rather remote hemisphere free from invasion or penetration. But for Churchill's Britain, survival meant preserving the far-flung British Commonwealth and Empire. It meant not only preserving the British Isles, the Dominions, India and the Empire from invasion or penetration; it meant also safeguarding the long lines of communications which held the Empire together. Thus, the British alliance ranged us for a time with the British Raj against the people of India and muddled our entire position toward the peoples of the East. Even more important, it brought our strategy in Europe under strong British Tory influence.

It is no secret that Winston Churchill would have vastly preferred to carry the war to Germany via what he called "the soft underbelly of the Axis" rather than by a cross-Channel invasion of France. This was not merely because Churchill considered a drive through the Balkans the most effective road to Berlin. It was because Empire strategy demanded that Britain fight Germany with one eye on Russia—fight Germany in such a way as to prevent at the same time a Russian incursion into the eastern Mediterranean basin and the "lifeline" to the Middle East. Much the same reasons prompted Churchill's angry protest against General Eisenhower's decision in the last days of the German war to swing south and cut up the remaining German armies, instead of driving on to Berlin before the Red Army could reach that coveted goal.

In both cases Churchill was overruled by President Roosevelt and the United States High Command—but not without leaving his mark upon the sum total of Anglo-American strategy especially in southeastern Europe. The British commitment in Greece, which we are now being asked to take over, is the direct result of Churchill's clumsy efforts to block Soviet penetration of that country by restoring a reactionary and unpopular monarchy.

Finally, our vision of what the war was about was beclouded by the enigma of our other great ally, the Soviet Union. So long as the war was on, the ultimate position of Russia troubled us far less than it did Britain. We did not understand Russia. We scarcely tried to. So long as the Red Army was killing Germans, Russia was okay. As the war in Europe drew toward a clearly foreseeable victory, we began to worry about getting Russian help against Japan. Apparently not knowing how near Japan was to the end of her rope, we paid what now seems an exorbitant price for the promise of Russian assistance. This price was the scrapping of some of the basic principles of a just peace as expressed in the Atlantic Charter and the United Nations Declaration. In order to assure ourselves of Russian intervention in the Far East, we tore up the pledges against annexation and against "territorial changes that do not conform to the freely expressed wishes of the peoples concerned." We went in for connivance in an old-fashioned victor's peace, with its spheres of influence and power politics. And, having paid this price, for something that we did not need, we proceeded to cross up our own bargain by dropping the atomic bomb without telling our Allies that we had such a weapon.

Up to Our Necks in World Revolution

And then—shortly after VJ Day—we woke up.

We woke up to find that we had won the war of survival, but that we were still up to our necks in a world revolution. And we still did not understand the revolution. We half expected that people throughout the world would so admire our tremendous industrial and military contribution to victory that they would say: "Yes, sir! The Americans have the system. Let's remodel ourselves in the American image."

But gradually we came to realize that nothing of the sort was happening. People didn't seem in the least interested in adopting our system of free enterprise democracy. Most of them couldn't afford it—couldn't even afford to think about it. They were too busy wondering where they would get tomorrow's breakfast, or a pair of shoes or a few lumps of coal. Throughout western Europe and even in the British Isles people were turning to the instruments of public power—to the agencies of government—to solve their hopelessly tangled problems. The whole concept of a society based upon property rights and individual profit-seeking initiative seemed to be crumbling before the mass onslaught of elemental human needs.

We had thought that, when the war of survival ended, western Europe at least would return to its old pattern—weaker no doubt, but not essentially different. This would have made us the big brother in Western society, able and perhaps willing to help the weaker members of the family regain their former democratic health. It would have stacked us, as the leader of the West, against the Soviet Union as the leader of the East. Instead of this, we saw western Europe moving into socialism—a socialism determined to preserve political freedom in the Western sense, but ready in the economic sphere to accept the bankruptcy of free-enterprise capitalism. This brought us squarely up against one of the major problems which we face today.

Is a socialist or semi-socialist Europe a threat to the continued existence of a free-enterprise system in our own country? If it is, do we wish to use our great economic resources to arrest the present trend? And finally, are we able, even with our great resources, to arrest it?

Were we to answer these questions, we should clearly develop one major aim of a planned foreign policy. We have not answered the questions. We do not know whether we think the trend toward socialism in Europe seriously endangers our own free enterprise system. We fear that it might. But we have reached no considered conclusion. Consequently, we do not know whether we want to try to arrest the trend. Nor do we know whether we really believe that we have the power to reverse it. This is the number one priority in making a foreign policy.

It is also the number one problem in our domestic society.

Why?

Because—if this foreign policy question is the buffalo, the Indian on the other side of the nickel reads: Are we quite sure of our own free enterprise system? Will the necessities which now compel Europe toward socialism arise indigenously here at a later date and compel us in the same direction? In other words, do we believe that we can find some better way than public ownership of the monopolies to eliminate the boom and bust cycle? Do we believe that we can prevent our system from alternately providing feast and famine for the majority of our people?

It is not my job here today to try to answer these questions. My assignment is merely to point out where our foreign policy is at present operating in a vacuum.

You will readily see, I think, how many decisions would flow from this one basic aim, if it were clearly determined. The fact that it is not determined means that there can be no consistent selection of stepping stones or procedures. The fact that it is not determined leads us sometimes to action and sometimes to inaction. One can be as decisive as the other.

Another Gap in Policy Planning

Let me now take up briefly the second great gap in our foreign policy planning. We talk about peace resting upon the one-world idea. We are all more or less ready to accept that idea. But we refuse to take it to its logical conclusion. We have not made up our minds that our real aim is the ultimate establishment of world government. Unless we know that this is our long-run purpose and plan our course of action accordingly, we are almost certain from time to time to improvise actions which will obstruct and perhaps prevent the attainment of our final goal.

Obstacles to World Government

There are two major obstacles which stand in the way of world government. The first is the habit pattern of nationalism and nationalistic thinking. This obstacle is more likely to be overcome by peoples than by governments, for governments have a vested interest in nationalism. The second obstacle is technical. No one has yet devised a scheme of representation in a world parliament which would seem just and satisfactory to all the peoples of the world. Straight per capita representation would give control to the peoples of India and China. Any departure from per capita representation is necessarily arbitrary, whether based upon literacy, or productivity, or any other standard. A bicameral parliament, with two houses differently elected, might provide some leeway for inventiveness and experiment. But the fact remains that no satisfactory scheme has yet been developed and that, until it is developed, there can be little practical progress toward world government. There is, on the other hand, a tremendous need for educational effort in all countries of the world, including our own, to make people realize that permanent peace can come about only through some form of world federalism. Once the need is recognized, the chances are that the practical method will be found.

But today the ultimate establishment of world government is not even the avowed aim of our national policy. It is the avowed aim of British and Canadian policy. We have accepted the United Nations idea, which is a long step in the right direction. But, unless we realize that it is only a step, we shall be just as far as ever from the goal of lasting peace.

If we had resolved our basic dilemma as to economic organization, and if the development of the United Nations into world government were our clearly defined aim, much of our present difficulty with the Soviet Union would take on an altogether different aspect.

Soviet Policy

This present difficulty is not solely of our own making. Others have contributed their share. The Soviet Union in particular has set the world a bad example. The bad example consists in the simultaneous adoption of two policies—the one a policy toward peace, and the other a policy looking toward the eventuality of war.

At the present moment we are in great danger of falling into this same pattern, if indeed we have not already done so.

The Soviet Union has existed for less than a generation. For most of its life it has faced the determined hostility of the West. British, French and United States armed forces unsuccessfully tried to aid the overthrow of the early Bolshevik regime, and for a long period thereafter the Western Powers would not recognize the Soviet Government. We ourselves extended recogniiton only in 1934, after Hitler had come to power in Germany. In the period preceding the outbreak of World War II, Western diplomacy tried its best to turn Nazi aggression eastward against Russia. To take note of these facts of history is not to overlook or condone the subversive revolutionary activities carried on throughout the world by the Comintern, nor the cynical alliance made by the Soviet Union with Nazi Germany in 1939. These were Moscow's own contributions toward a state of mutual distrust and suspicion, which continued to exist between Russia and the West, even after they were thrown into the same camp in the war of survival.

Once the war of survival was won, it is not surprising that the old submerged antagonisms and suspicions should reappear. Nor is it surprising—regrettable though it may be—that the Soviet Union should, from the very beginning of the effort to build a peace, pursue two separate foreign policies. The first of these was—and still is—a policy of great power cooperation; the second was—and still is—a policy of securing every possible advantage in the event of another war.

As against this unconcealed dual Soviet policy, the West pretended at first to be placing all its bets upon a policy of great power cooperation toward peace. More and more, however, both Britain and the United States have moved toward the Russian pattern of pursuing two policies. This fact now emerges clearly from President Truman's March 12 message to the Congress.

The pattern of dual policy—of making and at the same time hedging the bet on peace—is a vicious circle. It leads almost inevitably to war. What constitutes insurance for A inevitably constitutes a threat to B. This again necessitates additional insurance for B, which in turn appears as a new threat to A. The present state of the world is full of examples.

We ask for a base in Iceland or Greenland. Knowing that our intentions are peaceful, we cannot understand why this should disturb the Soviet Union. But when the Soviet Union, likewise sure of its own peaceful intentions, asks for a base in Spitzbergen, we become alarmed. And so it goes around the circle.

Or, take it another way. We demand sole trusteeship and the right to exclude others from the Pacific islands formerly mandated to Japan. Somewhat surprisingly, the Soviet Union backs our demand on the grounds that we made the greatest sacrifice in the Pacific war. Very soon we shall be asked to back a similar demand by the Soviet Union for a special military position in some area where the Red Army made the greatest sacrifice. Thus the architects of the second-line foreign policy sometimes collaborate in building the vicious circle.

This is not to say that any great nation should be so foolish as to throw away its weapons unilaterally. We tried this once with disastrous results. Until the foundations of peace are securely laid, we must obviously carry insurance. We can act upon the assumption that the structure of peace will stand only to the extent that others make the same assumption. But there is a vast difference between maintaining existing armament until it can be gradually reduced as other nations reduce theirs, and seeking to obtain additional factors of military advantage.

In a sense we do have to pursue two policies. So does every great power at the present time. But the crux lies in the balancing of the two policies. The policy of insurance must never be permitted to become a thing in itself; it must never be allowed to cause any positive action which invokes a counteraction. It must be essentially a negative policy, a policy of not relinquishing until. . . . as against a policy of seeking to acquire.

This, it seems to me, is where we could lead the way. We are trying to lead the way in our proposals with regard to atomic energy. But we obscure our effort by failure to enunciate a clear principle; and we stultify the principle by our increasingly acquisitive policy of insurance.

Use of U. S. Power and Resources

We have emerged from the war as momentarily the strongest nation on the earth. Our lands and cities are unravaged. Our resources in manpower and productive capacity have increased enormously while the resources of most other nations have been seriously impaired. We are far ahead of other nations in the development of air power. Our Navy is more powerful than all the combined fleets of the world. We are, for a little time, the sole possessors of the secrets of atomic energy. More than all this, we have time to think. Our people have jobs, food, clothes, money and things to buy with money, while most of the other peoples of the earth are scrabbling for the bare necessities of life.

The true test of United States foreign policy is what we do with our power—what we do with our great moment of opportunity and responsibility.

Once we have clarified our broad aims, the next thing we must do is to assess realistically the extent and limits of our effective power. This is not an easy thing to do, but unless we succeed in doing it, we shall invite disaster. One form of such disaster would be the kind of moral, economic and political bankruptcy which results from any nation's biting off more than it can chew. This is what Napoleon did, and Adolf Hitler after him. Another form of disaster might be that, having bitten off more than we could chew ourselves, we should become dependent upon the help of others, who, though they might share some of our immediate objectives, would not at all share in our ultimate aims.

In order that our aims may be consistent with our power, we must know not only the measure of our own strength but the measure of the forces which oppose our aims. This requires that we recognize the major trends of contemporary history. Assuming, for example, that we wish to re-establish pre-war free enterprise in areas which are now headed toward some form and degree of socialism, it means not only that we must measure our power of attraction against that of the Soviet Union, it means also that we must not blind ourselves to the fact that history is moving—and moving rapidly—in the direction of socialism. Our power to arrest such a trend is not nearly so great as we think. But our power to wrest leadership *in* such a trend from a totalitarian police-state is greater than we realize, because we do not even contemplate that sort of a middle course.

We have the power to guide the world in a direction toward which the masses of mankind desire to move. We do not have the power to reverse the direction.

We can fritter away our strength in a futile attempt to buck the tide of history. Or we can use our strength to help regulate the flow and guide it toward universal freedom, justice and peace.

In every country of the world today there are masses of people who recognize that something is wrong, and who want to find what it is in order to change it for the better. And, in every country there are a few people who are either satisfied with the world as it is, or think it could be improved only by turning back the clock. We have our choice—because we are strong—of leading either group. We can make ourselves the last embattled stronghold of the past or the spearhead of humanity marching toward the future.

Problem of Aid to Greece

And now let me get down to some contemporary brass tacks.

President Truman's message of March 12 appeared to enunciate a new policy. By some commentators it was hailed as a new Monroe Doctrine—as a step ranking in importance with President Roosevelt's famous "Quarantine Speech" of October 1937, or his announcement of the Lend-Lease policy in early 1941. It is perhaps too soon to reach a considered judgment. One thing, however, is clear. The new policy—if it is a policy and not merely another hasty improvisation—involves far more than the financial commitment, which President Truman described as "a little more than one-tenth of 1%" of our investment in the recent war.

First of all it involves an undertaking on our part to determine where and when in the world any free people is in danger of having a totalitarian regime imposed upon it by having "the will of a minority forcibly imposed upon the majority." President Truman mentioned Poland, Rumania and Bulgaria as examples of where this had happened, and Greece and Turkey as examples of where it would happen, unless we intervened.

What about the people of Spain? What about the people of Portugal? What about the people of Argentina? Is Franco less of a dictator than Tito? Is Peron's Argentine Government less totalitarian than the present government of Poland?

Is the President talking about *all* totalitarian regimes imposed by the will of a minority, or only about a certain variety of totalitarian regimes imposed by a certain kind of minority? Is this new doctrine a call to arms in defense of all human freedom against all forms of tyranny? Or is it only a call to arms against communist tyranny, imposed by minorities which we consider to be inspired or supported by the Soviet Union? If we mean that we are out to stop Soviet expansion, and only that, why not say so? The polite evasions of diplomatic parlance will not fool anybody—except perhaps some of our own people. That is point one.

Point two. If we are out to stop Soviet expansion, why pretend that we are acting to help suffering peoples, or to preserve the freedom of peoples whose freedom is threatened, in Greece and Turkey? The Greeks have suffered no more than the people of Spain; nor shall we ease their suffering by bolstering up the rickety, anti-democratic regime which now oppresses them. And, if we are concerned about freedom, the people of Turkey have never in their history been a free people and are not a free people today. They have lived, very prosperously, under a slightly streamlined dictatorship, which has skilfully played both ends against the middle. When the chips were down in the war of survival, the Turks sat back and sold their chromium to the Nazis or to us—whichever would offer the highest price. Fine moral phrases will not fool any one either—except perhaps ourselves. That is point two.

Point three. If we are to embark upon stopping Soviet expansion, just what does this mean?

Do we mean that we intend to stop the spread of the communist ideology in all parts of the world except where peoples freely choose communism? Do we mean that we reverse our policy in China and throw our weight behind forces which we ourselves have recently characterized as corrupt and reactionary?

Or do we mean merely that we intend to stop the Russians from setting up so-called friendly governments — communist or non-communist—around their borders? And, if we mean only the latter, do we mean to stop the creation of *more* such friendly governments than now exist, or also to challenge the existence of those which have already been established?

These are things we have a right to know before we embark upon an adventure of such magnitude. If the President of the United States knows what he desires the aim of the country to be, then he has the obligation to tell the Congress and the people what that aim is. To speak vaguely about other aspects or implications is not enough, when these other aspects dwarf in magnitude of commitment the specific action now urgently recommended. We are not talking about four hundred million dollars. We are talking about taking a first step in a program which will cost billions of dollars and perhaps millions of lives. If such a program is called for, we have a right to enter upon it with our eyes open to its full implications.

And finally, point four. What about power? What about the relation of our effective power to our aim? Are we going to tackle this thing alone, or with help? And, if with help, with whose help, and at what price?

If we propose to take on the job of stopping Soviet expansion, not through the United Nations but by ourselves, upon whom are we counting to stand by our side in the event of a showdown? Upon France, where the communists polled the largest vote at the last election? Upon Socialist Britain, in the throes of a crisis which has precipitated our crisis? Upon China, torn by a civil war?

If we try to do this job with dollars, using as our tools whatever rickety remnants of the past may exist upon the periphery of the Soviet Union, all we can count upon will be loud cheers from the cohorts of Franco, Peron and Salazar—and their ilk in other countries.

That way we shall stop neither Soviet nationalistic expansion nor the spread of communist ideology. Unless we attract to ourselves the support of peoples—instead of our supporting unpopular regimes—the only solid power we can count upon will be our own.

And how solid will be our own power, if we force a showdown without a clearly understood aim and without a sturdy foundation in principle?

Were we prepared to risk war with totalitarianism of **all** sorts—were we prepared to risk war in defense of the freedom of mankind in terms which mankind would understand in any language—then we could count upon the mass support of humanity throughout the world. We should have on our side the peoples of the world. Then it would be the men in the Kremlin who would have to worry about finding the power to oppose us.

Are We Ready to Face Facts?

We are not ready to step forward with such a positive challenge because we are not yet ready to face the facts of contemporary history in world politics or economics.

The only way to stop the expansion of Soviet nationalism is to stop the expansion of all nationalism, including our own.

The only way to stop the expansion of communist totalitarianism is to create a positive counterforce of dynamic democracy.

Until we are ready to declare ourselves for world government—until we are ready to ally ourselves with the trend toward democratic socialism—we had better think twice before we take on single-handed a task which belongs by rights to the United Nations.

We are told that the situation is so urgent that we dare not wait for the United Nations. The United Nations managed to handle the Soviet threat to Iran, compelling the withdrawal of Soviet troops which were actually in that country. What is so urgent about the Soviet threat to Greece or Turkey? What is so urgent that we must act alone, without consultation, without knowing how far our first step will take us, and in such a way as to undermine the very structure of peace, which we have been struggling to erect?

If there are facts we do not know, we have a right to know them. Foreign policy is no longer primarily a function of government. More and more it is becoming a function of peoples. And a free people has not only the right but the obligation to demand the information upon which to base its free judgment.

If our foreign policy today operates in a vacuum—if it is a series of improvisations unrelated to any clearly defined basic purpose—it is primarily because we, as a people, do not yet see clearly where we want to go. Our government cannot tell us where we want to go. The function of our government is to give us the facts and to carry out our decision.

In the long run, the part we play in the world will be determined by the kind of people we are—by the kind of people we want to be—the kind of people we make of ourselves and of our children. And so I say to you and to others who, like you, are entering upon the responsibilities of citizenship:

Don't be afraid to question.

Above all, don't be afraid to tackle the big fundamental problems. They are the ones that need to be tackled—not by experts, but by ordinary citizens.

Retail Sales Rise 15% During February

WASHINGTON, March 26—Department of Commerce announces that retail sales in February totalled $7,375 millions. This was 15% above the corresponding figure for February, 1946.

Exchanges and Free Enterprise

(Continued from page 1653)

ment—Sturgis, Tappen, McGowan, Keena, Kenny, Hengeveld, Badenberger, Goodrich, Vernon, O'-Meara—to name only a few.

By the work of the members, governors and employees, for whom these names are proxies, the interests of the Exchange have been created and well cared for.

But there are interests of the Exchange too fundamental and too important to be left to the care of any group smaller than the whole membership. Since these interests are of equal importance to our friends in other organizations whose leaders are here tonight, it is appropriate to talk of them.

Neither our exchange, nor any other exchange nor the business of any broker or dealer in securities exists today solely because of the work of the men who built and manage them. They exist primarily because men and women in our country are free to use the services of a free market. The freedom to buy and own and sell property for their own reasons and to retain income and profits for their own purposes is the basic reason for the existence of our business. This freedom to use one's individual judgment to risk failure in the hope of success is our piece of the larger right of individual freedom which is the heritage of everyone in our land.

Individual freedom is more than the cornerstone of our life. It is its foundation. All other conditions are refinement and ornamentation.

We take it for granted that we will always be free, that this interest of the Exchange is so solidly based that it needs no care. But there has not always been freedom for the individual and there can be no assurance, except the devotion of men who believe in it, that there always will be. It is a condition which, like seemingly solid land, can be eroded away. It can be forfeited by abuse.

Tyranny of a few over all the rest is a much older way of running a country than representative government based on individual freedom. That older method has again been rising up in the world and spreading out under many false and attractive names. Speeches and spending and soldiers will never stop the spread of this poison, though they are weapons which can be marshalled against it.

We have all been plodding along troubled by the feeling that the freedom of increasing millions is being taken away each year and by the knowledge that someday we must start to do something about it. Last week two voices that have become great in our land spoke our thoughts.

President Truman said, "At the present moment in world history nearly every nation must choose between alternative ways of life. . . .

"One way of life is based upon the will of the majority, and is distinguished by free institutions, representative government, free elections, guarantees 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 on terror and oppression and the suppression of personal freedoms."

In Moscow Secretary Marshall said, "To us a society is not democratic if men, who respect the rights of their fellowmen, are not free to express their own beliefs and convictions without fear that they may be snatched away from their home or family."

Last week this creeping, propaganda-laden conflict was driven out into the open. The enemies of freedom will now busy themselves with the work of trying to again hide the issue. But the statements of the President and the Secretary of State have called to each of us to assume responsibility for what we believe. No individual or group in our country can forget that he and it are deeply involved in this struggle.

This fight will not be won by force alone. We are unsurpassed in physical strength. We are masters in the art of gaining our objectives by direct action. But physical strength and direct action alone cannot protect our liberty. The only way to preserve individual freedom is to demonstrate to ourselves and to the world that it is a practical way of life as well as a desirable ideal. The extent to which we conduct our business, although free, upon high standards of fair dealing will be the measure of our contribution in this conflict.

Our business is the heart, arteries and veins of the economic system which supports individual freedom. Our position is one of great trust and many are anxious that we fail in that trust and so furnish them the evidence with which to destroy our system and seize our freedom. Today no mercy should be shown to anyone who abuses the freedom which he shares with others.

Because I have been deep in the affairs of the New York Curb Exchange during most of the past 12 years, I know of my own experience the high standards of fair dealing which govern its business. The care of this interest of the exchange which I have spoken of tonight is in your good hands. The contribution which you will make to the defense of our liberty can be relied on. The voice and actions of the New York Curb Exchange in the industry and in the nation will provide no support for the enemies of our freedom.

Gilbert Wehmann With White, Weld & Co.

Gilbert H. Wehmann has become associated with White, Weld & Co., 40 Wall Street, New York City, investment bankers and

Gilbert H. Wehmann

members of the New York Stock Exchange, as sales manager of the firm's New York office. Mr. Wehmann was formerly a partner of Kalb, Voorhis & Co. and previously associated for 14 years with Tucker Anthony & Co.

With F. S. Yantis & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Albert G. Crawford, Jr., has become affiliated with F. S. Yantis & Co., Inc., 135 South La Salle Street, members of the Chicago Stock Exchange.

With Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, LA.—Pierre R. Dupont is with Merrill Lynch, Pierce, Fenner & Beane, 818 Gravier Street.

The Management of the Public Debt

(Continued from page 1648)

are now constantly studying their problems, both actual and potential, looking for new and better approaches to the functions of banking. In this way they are preparing themselves for the many problems that will face them in the future, and are not waiting until those problems are upon their doorsteps. This action is in line with what other professions are doing. You would not think much of your doctor if he quit studying medicine as soon as he left college and hung up his sign. He would today be far behind the times if he had not kept up with the advancements and improvements in medicine made during the recent war, and I doubt if he would have much of a practice. The same is true of lawyers in keeping abreast of new laws and studying the more liberal decisions of our courts; likewise, it must be true in all lines of work. We are faced with many new problems in this dynamic age and we must be prepared the best we can to meet these problems when they arise.

The Public Debt

New problems are present in considerable quantity in the field about which I want to talk to you tonight—PUBLIC DEBT MANAGEMENT. Our war-inherited debt of $260 billion is about five times the debt before the war. Many people used to think that a debt of the magnitude of a quarter-trillion dollars would be simply impossible to handle.

If we had had to increase the debt this much in one operation, of course it would have been impossible. As it was, however, it went up gradually through day-to-day sales of savings bonds and in a series of rather sharp jumps through the eight war loans. In this way it wasn't so shocking to the economic system. But each step of the way it was necessary not only to view the immediate problems but to look ahead and consider so far as possible all of the implications for the future.

Thus, the postwar management of the debt had to begin in a broad general way when war financing started. How the debt was distributed by investor classes, the maturity structure of the debt, the interest rate policy—these were all important factors which had to be determined step by step. Together, these initial decisions laid down at the very outset a general pattern for the postwar management of the debt.

In this work, I remember that one of our first jobs in the war loans was that of persuading people that the financing job could be done. We were told in those early days that there wasn't enough money available to meet the war loan goals. It took extensive analysis by the technical staff of the Treasury to convince our war loan workers that the money was being earned by people simultaneously as they produced the munitions of war. The staff used to lay out the market by the various sources of funds to show that the money was actually available.

Source of Funds

Let me give you an example of one source of funds by reference to some figures on savings by individuals alone for the whole war period. In the six calendar years, 1941 through 1946, individuals saved in all about $175 billion. All of this was not available to tap at the source for war loan sales. About $40 billion was absorbed through savings in the form of private insurance, social security and military insurance. About $30 billion went into mutual savings banks, commercial banks, postal savings, and savings and loan associations. This $70 billion was, of course, available for investment in government securities from these sources, but not from the individuals. This still leaves $105 billion of savings of individuals of other kinds, more than half of which—about $55 billion—went into Federal securities. Around $30 billion of these savings was placed in checking accounts, and about $20 billion took the form of currency. The objective of the war loan sales was to increase the portion going into Federal securities and to decrease the ready money on hand for quick spending by individuals.

I am mentioning this background to show that the seemingly impossible becomes much more understandable when broken down into the various little pieces which make up the whole. Also, this is a good way to look at the problem of managing the public debt today. A figure of $260 billion is hard to grasp—it is just a big figure when looked at in the aggregate by itself. It is much easier to understand when broken down into the segments represented by the amount of government securities owned by each of the various investor classes. Take individuals, for example, they own $64 billion of the debt, or about one-fourth of the total. Insurance companies, they own $25 billion; savings banks own $12 billion; commercial banks own $74 billion. I won't recite all the ownership figures. But each group owns a share of America and that ownership is in a type of security which meets the investment needs of that group as near as the Treasury could provide it in line with the over-all policies adopted to govern war financing.

Debt in Form of Assets

Obviously, these investments are not just incidental assets of the various investors; rather, they are frequently the most important asset item in their financial statement. Today, Federal securities account for 45% of insurance company assets; 62% of mutual savings banks assets; and 65% of the earning assets of commercial banks. With such proportions, can anyone doubt that the Treasury and the Federal Reserve System have a joint responsibility far beyond any prewar standards to see that all works well? Violent market upsets would cause great concern about our whole financial structure.

This points out the big difference in the Federal debt as contrasted with other debts. A corporation can put out a $50,000,000 bond issue, taking advantage of the best terms at the time, and then not worry too much about its behavior until it becomes due. Such an issue is a drop in the bucket of the financial structure of the country. In contrast, the Federal Government puts the issues out in billions of dollars and can't forget about them for one minute. Public debt management consists in a living mechanism designed to keep a quarter-trillion dollars of securities in good condition and so far as possible in the proper hands. This serves the welfare of the people as a whole and aids the particular owners at the same time. Like women's work, the job of management is never done—so long as the debt remains.

The Interest Burden

Interest on the Federal debt today is a figure of around $5 billion a year. This is more than the cost of the entire Federal Government not so many years ago. In the budget estimates for the fiscal year 1948, interest is the third largest item, exceeded only by national defense and veterans' programs. Furthermore, that item "interest" is bound to be one of the biggest items in our budget for many years to come.

A figure of $5 billion is a lot of money just for interest each year. But, we can take some consolation in the fact that it would have been higher on the basis of World I experience. The debt today is about 10 times the World War I peak. Interest expense, however, is only about five times. The explanation for this is, of course, that the average rate on the Federal debt is now only a little more than 2% as compared with a peak of 4.34% in 1921. With the 1921 rates, today's interest charge would be more than $10 billion a year. Moreover, the World War I rates involved considerable tax exemption whereas most of our present interest is fully taxable, which further widens the spread in interest costs of the two wars.

Interest expense is affected both by the coupon rates paid for different maturities and by the distribution of borrowing as between short- and long-term issues. The Treasury's policy in debt management is to fit the securities to the investors' needs as much as possible—that is, to sell long-term securities to long-term investors and short-term securities to short-term investors, with market risk taken out of securities designed for the mass market. It doesn't make sense to try to push individuals into 90-day bills or banks into 25-year bonds. Contrast this policy, which has saved millions of dollars in interest costs, with the policy followed in World War I, which pushed everybody into long-term Liberty bonds whether they liked it or not.

Fitting Debt to People Holding It

This idea in public debt management—fitting the debt to the needs of those people holding it as assets—was developed as the product of experience. It is an instrument which must be adapted from day to day to changing conditions . . . and not something which you can set up properly once and then forget about it. The changing needs of the various investor classes must be studied continually and debt management must be shaped to fit these needs.

In our present boom times, the policy, of course, should be to reduce the debt—especially that owned by commercial banks. You bankers know how successful the Treasury has been during the last year in reducing bank-held debt in the pay-off program.

Commercial Banks and the Debt

In view of the urgent need to keep commercial banks liquid, it was decided early in the war financing period that no new securities should be made eligible for bank ownership with maturities in excess of 10 years. Implementing this, a considerable volume of one-year certificates was issued, designed primarily for bank ownership and for short-term corporation and other business funds. When the books were closed on the Victory Loan, there were $46 billion of certificates outstanding, about three-fourths held by the banking system. These were divided into 12 monthly maturities, thus offering a ready source of debt reduction of bank-held debt if and when the opportunity came. That opportunity came in March, 1946, when a steady program of pay-offs was undertaken, designed to reduce bank-held debt by drawing down the large cash balance to peacetime needs.

By the end of the calendar year 1946, the debt was reduced by $20½ billion from its peak, with $19 billion reflected in a curtailment of bank holdings. I am sure that all of us are deeply impressed with the success of this operation. Total demand deposits were reduced by one-seventh during the period, and there was a considerable volume of shifting of funds from bank to bank and region to region. Among the 300 largest commercial banks, changes in demand and time deposits together varied tremendously in 1946—there were a few increases, running to as much as 20%; most banks, however, showed decreases with the extreme decline amounting to about 30%. Yet, in this situation the debt pay-off program was carried out with barely a ripple in the money markets.

It seems to me that it was a good thing for bank portfolios to have been concentrated in short-term issues—making it possible to adjust to such violent deposit changes in such a short time. This is an example of proper debt management by the Treasury, both in the stages of "looking-ahead" and in the stages of later execution.

Savings Bonds

Savings bonds are another good example of looking ahead in debt management. Most people know very little about the security markets and the intricacies of handling marketable bonds. After the last war this was well illustrated by the panic which gripped many small investors when the price of Liberty bonds began to decline. Like pouring gasoline on a fire, many individuals dumped their Liberty bonds on the market—not because they needed the money or wanted it, but because they were afraid of losing it. The market for Liberty bonds was severely shaken, and every time it went down a little more, the fear of loss caused more small individuals to sell.

Within two years the market was back to par but the damage was done and the bitter memories remained. Many Americans felt they had been cheated in their patriotic investment in government bonds.

Savings bonds were designed to prevent recurrence of this difficulty. Everybody knows that his money in savings bonds is available at guaranteed redemption values on demand and, therefore, the bonds are thoroughly insulated from the outside markets. There was not even a flurry in savings bonds redemptions when the stock market suffered its huge decline last year. In the four months from the end of May through September, 1946, the value of stocks listed on the New York Stock Exchange declined $17 billion—from $84 billion to $67 billion—yet savings bonds redemptions not only did not go up but were 13% lower in September than they were in May.

I wonder what might have happened if the average person had been forced in the war loan drives into long-term marketable issues like Liberty bonds during World War I. The stock market troubles might have spread to the bond market and the stability of our bond market could have been seriously threatened.

Savings bonds continue to be an important instrument in public debt management. We would all like to see the ownership of the debt spread as much as possible. It is a good thing for tens of millions of Americans to own part of this debt directly. This insures a continuing interest in the management of the country's finances and aids the cause of good government.

The Treasury is emphasing the campaign to sell savings bonds through the payroll savings plan, and I know that the help of bankers in this work is deeply appreciated.

Question of Debt Funding

Let me turn to another point in the field of debt management, namely, the question of "funding" the debt. This is the age-old doctrine that short-term issues should be refunded into long-term issues in order to "get them out of the way."

The Treasury's policy in fitting the securities issued to the needs of the various investor classes has resulted in a substantial volume of short-term securities. It is sometimes contended that this was a sort of "necessary evil" during the war period, but that something should be done about it as a longer run policy. It is argued that by funding this short-debt into long-term, the Treasury could stop worrying about this part of the debt.

I do not agree with the major premise here, that short-term debt is especially vulnerable. On the contrary, I feel that the short-term debt is actually easier to handle than long-term debt in the event of severe market diffculties. Maturing debt can always be refinanced in such form as will meet the market conditions at the time. Whereas, even if this were not true, however, I would argue against the idea that the government could shift the worry on long-term issues from itself to private investors. As I said earlier, a corporation can issue a bond and generally speaking, forget its behavior in the market. But the Treasury must be ever watchful of the entire debt, whether long or short, and cannot escape responsibility for the condition of any part of it.

Banks and Long-Term Debt

I need hardly add that the worst thing of all would be to move the banks into long-term debt. So long as the banks must be substantial owners of the debt we need a large volume of short-term securities. Already bills and certificates have declined from almost one-third of total bank holdings of Federal securities a year ago to about one-sixth today.

A new twist has been added to the argument for funding by relating it to the campaign to control inflationary pressures. The idea is that long-term debt should be issued to nonbank investors only and the funds used to retire short-term debt held by banks. The point is, of course, to get people to hold more government securities and less deposits—since people tend to spend deposits more freely than they cash government bonds for spending. I agree with this, but in all fairness it should be noted that the difference is purely one of psychology and that the total amount of liquid assets of nonbank investors is not changed one iota in the process.

A far more effective anti-inflationary step would be to arrange our budgetary affairs so that there is a surplus from taxes available to reduce the debt and some left over which can be used for tax reduction. Debt reduction reduces the volume of liquid assets, whereas the funding method merely rearranges the character of such assets.

It appears to me, therefore, that the arguments for funding the short debt do not hold up well on examination. In addition, however, there is the disadvantage that interest costs are raised when long-term issues replace short-term issues. This is an important consideration with interest already amounting to around $5 billion a year. I want to make it clear that higher interest costs should never be a barrier to funding if there are substantial compensating benefits, but such benefits should be real and not just apparent.

"Leakage" in Funding Operations

Abstracting from these arguments for and against debt funding, I should like to take a minute to discuss the question of "leakage" in funding operations. What I have in mind is that there may be considerable diversion of securities to commercial banks in the process.

Let me give you an illustration of what I mean. Suppose that the Treasury offers a long-term bond to nonbank investors and it goes over well. That is, subscriptions exceed the amount offered by a good margin and the bond is so popular that it goes to an immediate premium in the market. So far so good. But now let's raise some questions as to what the effects of the issue are on the ownership figures. Did nonbank investors really add the full amount to their holdings? Or did they sell a substantial amount of other issues to banks to raise funds? Perhaps the banks increased their holdings by large amounts in this way. It may even turn out in the final analysis that bank holdings went up by about as much as the amount of the new issues sold to nonbank investors.

In other words, the debt in such a case would be up and the banks would hold the increase. It is true that the proceeds of the new funds presumably would be used to retire bank-held debt, thus bringing the picture back to very much what it was before — with one important exception, however, that a long-term higher rate issue would have replaced short-term lower rate issues. It is easy to see who got the benefit of this operation. But the taxpayer pays the bill in the form of higher interest costs without any material benefit to the economy as a whole.

This example merely points out the fact that debt funding should be pursued carefully. This is particularly true because nonbank investors own enough bank-eligible securities so that this switching around process could be extensively used. It is a profitable process too, if it involves the sale of short-term issues at a premium to buy long-term issues at par.

No Undue Worry About the Debt

In closing, I should like to say that I see no reason to worry unduly about the debt. I don't mean that it doesn't have to be watched, but I do believe it can be managed satisfactorily even though it is large. In its debt management work the Treasury should, of course, keep its policies flexible, keep constantly alert to changing conditions and should continually resurvey the position of the various investor classes in the light of the current economic environment. Thus in an atmosphere of full awareness the Treasury will be in a position to do the right thing at the right time.

It is inevitable that there will be disagreement on debt management policies among bankers, businessmen, economists, and the financial community in general. There are always many sides to a given issue, particularly one as large as this. Even in the field of debt management this is a constructive thing because it emphasizes the alternative courses of action open to the fiscal authorities. It is the duty of the Secretary of the Treasury, upon whom the Congress has placed the responsibility for properly handling the public finances, to weigh all points of view in reaching his decisions on public debt management which should always be in the best interests of the country as a whole.

Earnings Prospects of N. Y. City Banks

(Continued from page 1655)

on the books of the banks at $2.2 billion is appraised today at $1.8 billion. This is a discount of $400 million or over 18%. The discount is greater when other undisclosed values are taken into account. As long as this condition continues, new banking capital will not be attracted, no matter how much needed, except at great sacrifice by present owners.

Shares of leading banks in the United States are selling at a discount. Why? Because bank earnings—net current operating earnings—are too low. Banks do not have large enough normal earning power, large enough, that is, in relation to their stockholders' equity. For this reason the investing public appraises bank stocks at a discount. Recently, the discount has widened, intimating that even the depressed rate of earnings is becoming difficult for banks to maintain.

1946 Earnings

What were 1946 earnings of the 37 banks, and what may be expected in 1947? For the year 1946 net current operating earnings, exclusive of security profits, recoveries, losses and chargeoffs, of these New York City banks were about $140 million, a realization of 6½% on total capital accounts. Cash dividend payments totaled $75 million or 3½%, leaving a net retention from operating earnings of $65 million or 3% which was added to capital funds.

For this group of bank stocks to be quoted at book value, they would have to be priced at 15½ times 1946 operating earnings and would yield 3½%. Actually, current prices at their 18% discount from book value are 12½ times 1946 earnings, with a yield currently of over 4%. New York bank stock prices as shown in the American Banker Index this week were at a three year low, i.e. 41.2. From this and the recent trend in bank stock quotations, lower earnings in 1947 seem anticipated.

1946 was a transition year. Operating expenses mounted steadily. Although total loan portfolios remained stable, many changes occurred. Business loans went up as security loans came down. For the year as a whole total loans of the 37 banks averaged $6.7 billion. Interest income from loans reflected an average rate of about 1.80%, increasing as the year ended. Investment portfolios averaged $16.7 billion with interest income at an average rate of about 1.40%. At the year-end security holdings were down 13½% below the $16.7 billion average, reflecting the redemptions experienced.

1947 Prospects—14% Decline

An estimate of 1947 prospects can be ventured at this time based on the first 60 days of the year. This will at least give the present general direction of bank earnings. Higher operating costs and lower investment income, offset only partly by increased interest income from loans, make it apparent that operating earnings are lower in 1947.

Total loan portfolios at $6.4 billion are running about 4½% below the 1946 average. The current yields is estimated at about 2%, or ⅓ of 1% higher, reflecting more fully the increase in the volume of higher-yielding commercial loans and the decrease in the lower-rate loans on government securities. This means a modest rise in income from loans. However, this increase in loan income in 1947 does not appear likely to be sufficient to meet the increase in operating costs. Gross income other than interest, namely, fees, commissions, trust department, foreign, etc., may be assumed to continue at about the 1946 figure.

Total investment portfolios are currently running about 15% below the 1946 average. The yield is slightly better due to the decreased amount of bills and certificates. Actual investment income is off about 12%.

The operating net subject to income taxes is down about 15%. In order to estimate 1947 net current operating earnings after taxes, it is necessary to consider the tax liability in 1946. Due principally to the presence of tax-exempt interest and deductible losses and chargeoffs, the 1946 net current operating earnings were net after taxes which were substantially below the statutory 4½% New York State franchise tax and 38% combined Federal normal and surtaxes. If these banks had no exempt interest and no deductible losses, they would have had to pay a rate of 40.8%, which is the net of today's New York State and Federal income tax rates, since the New York tax is deductible in computing the Federal tax.

If in 1947 the 37 banks have to pay income taxes at a rate no greater than the percentage paid in 1946, then the combined net current operating earnings after taxes are indicated at around $120 million for 1947, or a decline of 14% from the $140 million net current operating earnings in 1946. Such 1947 earnings would represent a return of 5½% on total capital accounts compared with 6½% in 1946. Using current annual rates, cash dividend payments will constitute 3½%, leaving an operating retention of 2%. These results would be before losses and chargeoffs, and exclusive of recoveries and profits.

It is, of course, impossible to forecast the net of capital transactions in 1947. Banks always have losses and chargeoffs but only sometimes profits and recoveries. In recent years banks have fortunately experienced an excess of profits and recoveries over losses and chargeoffs. History teaches that this happy state will not continue indefinitely.

Prices Set By Real Earnings

The insufficiency of net current operating earnings and the lower results indicated for 1947 explain the downward course of bank stock quotations. These lower earnings will come as a surprise to those who only yesterday were bewailing "the inordinate profits of commercial banks." In the market place the real and prospective earnings determine values, not the inflated figures offered to substantiate some political or social theory.

The conditions responsible for the declining earning power of banks already present in the prewar period. The true situation was delayed in making its appearance in published earnings reports due to the presence of such factors as offsetting tax credits, carryover of high bond yields, and unrealistic handling of bond premium amortization. The facts were further submerged during the war years by the rising revenues resulting from the greatly enlarged holdings of government securities due to deficit financing. The basic longer term condition, however, was further intensified by the continued upward trend in operating costs. Today, with the War Loan accounts down, and with redemptions still proceeding, the real situation is moving to the surface and will soon be in plain view—the effects of rising costs, falling rates, and high taxes.

A factor which has not as yet received due recognition is the question of renewability of earnings. By that we mean, are reported earnings again possible under the changed conditions of today? To what extent do such reported earnings reflect conditions now obsolete, and therefore no longer renewable?

In the estimate for 1947, investment income reflected an average portfolio rate of 1.46%. Can commercial banks get such an average rate today, carrying such tax exemption as indicated by their 1946 effective tax rates? The answer obviously is no. The market for eligible government securities has been telling this to bankers day after day. It is possible for every banker to calculate the effect on his earnings, if in substitution for present holdings, his bank held fully taxable eligible securities at current market yields.

For example, let us see the effect on the New York City banks. Assuming a yield, net after amortization, of 1.25% on their present lower portfolios, and applying today's tax rate of 40.8%, the 14% decline from 1946 in net current operating earnings of the 37 banks would be extended to 35%. Of course, such a portfolio change is not going to take place in one day, but the development is surely unfolding. Since December 1944, the ⅞% certificate has been the diet prescribed by the Treasury for commercial banks.

Greater Risks—Smaller Earnings

Commercial bankers have plenty to think about. In addition to the difficulties outlined, the present condition has other longer term problems which demand present day thinking and present day solutions.

Banks are once again financing private business. Loan totals are now at record highs. Many believe that this trend is likely to continue.

The elementary truth still holds that interest earned from loans must exceed losses resulting from loans—otherwise banking capital would soon be menaced. Interest earnings are immediately visible. Inevitable losses are apparent only later. The returns do not come in together.

The excess of loan interest over losses must be large enough to meet its increasing share of operating expenses, provide for income taxes, and leave a fair margin for the hire of bank capital. Healthy banks are necessary for all of the business of the country. Too low an interest rate on risk-bearing loans will eventually undermine profitable operations. Sound banking conditions would soon disappear.

There is no easy solution. Bankers must re-examine their operations, always remembering that they are responsible to their stockholders. How many bankers calculate the actual net income from each loan transaction? For example, a $1.0 million loan is made at 1½%. The customer's note adds $1.0 million to the bank's assets. The customer's account, credited with the proceeds, increases the bank's deposits by $1.0 million. Does 1½% mean $15,000 to the bank? Not quite. First, the New York bank must post with the Federal Reserve Bank $200,000 additional required reserve, equal to 20% of the deposit increase. This it would ordinarily do by selling to the Federal Reserve Bank riskless Treasury certificates, losing thereby ⅞% income on $200,000 or $1,750. The balance on the profit side is now $13,250. The increased deposit means additional 1/12 of 1% Federal Deposit Insurance assessment or $833. Our balance is now $12,417. What about taxes of 40.8%? Our net profit without considering the expense of securing and servicing the business is now $7,351 or less than ¾ of 1% after taxes, and this is risk business.

Greater efficiency can help, perhaps too, increased service charges. It is clear, however, that the unsoundly low rates at which loans are being made will have to be adjusted. These low rates were set by the riskless short-term securities of the Treasury. With the war over, business is replacing the Treasury as the principal borrower, inheriting these low rates. Banks in their competitive fervor have not distinguished between the Treasury's riskless paper and the less certain promises to pay of other borrowers.

The Treasury and the Federal Reserve authorities together have a great responsibility. The present artificially low short-term rates are a carry-over from the wartime period. These measures were taken to facilitate large-scale Treasury borrowing at low cost to the taxpayer.

Today such Treasury borrowings at commercial banks are coming down. The question is, to what extent does the continuance of the wartime measures prevent commercial banks from realizing a fair and necessary rate on their risk assets? The truth is that increasing risk and decreasing earning power are early symptoms of potential weakness.

The banking and fiscal agencies of the government representing the public interest, must make certain that no action of theirs hinders or restricts the sound functioning of the commercial banking machinery of this country. It is apparent that the reasons for maintaining the ⅜% rate on Treasury bills and ⅞% rate on Treasury certificates are no longer as strong as they were. These rates will be adjusted upward, perhaps only nominally. However small the change, the effect on corollary rates in the short-term field will be real and consequential enough to give commercial banks a sounder basis for their operations.

Banks cannot afford to wait. If bank managements now face the facts of the day and are alive to the necessities of their situation, they will no doubt take action to secure better results for their stockholders. In the long history of these banks far greater obstacles have been overcome. In the past, industry and banking have scored their greatest gains by finding broader markets for their products and services, and by increased efficiency and lower costs. The situation today again offers new opportunities to forward looking management.

The market for New York City bank stocks is discounting the lower earnings in 1947. The rate of earnings on banking capital, currently indicated at 5½%, is too low. This earning rate, now low, will eventually get better—provided bank managements do their part. If so, bank stock prices today suggest investment possibilities.

James Brennan Joins Hoit, Rose & Troster

James I. Brennan, formerly with J. F. Reilly & Co., has become associated with Hoit, Rose &

James I. Brennan

Troster, 74 Trinity Place, New York City, in the firm's Trading Department.

Now With Tifft Bros.

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN.—Lewis E. Oakley has been added to the staff of Tifft Brothers, 49 Pearl Street, members of the New York and Boston Stock Exchanges. Mr. Oakley was formerly with Brainard, Judd & Co.

With Trusteed Fds. of Fla.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, FLA. — Wesley E. Thompson and Daniel T. Winter have become affiliated with Trusteed Funds of Florida Co., Biscayne Building.

$200 Million AT&T Debentures Awarded and Sold by First Boston-Halsey Stuart Group

The First Boston Corp. and Halsey, Stuart & Co., Inc. jointly headed a group of investment banking firms which publicly offered on March 25 a new issue of $200,000,000 American Telephone and Telegraph Co. 35-year 2¾% debentures at a price of 100.75 to yield about 2.72% to maturity. The issue was awarded at competitive bidding that morning on a bid of 100.30 and according to the underwriters was heavily over subscribed the same day. It represents one of the largest single bond issues ever underwritten in the history of corporate financing.

To handle the offering the managers of the underwriting group assembled 200 investment banking firms from coast to coast. The offering also was made available to members of the National Association of Securities Dealers at a concession. Insurance companies, banks, trust funds and other investors, including many individual buyers, placed orders for the bonds following expedited clearance of the issue by the Securities and Exchange Commission.

Proceeds from the sale of the new securities will be used to provide funds for the company's expansion program including extensions, additions and improvements to subsidiary and associated company plants and to its own plant, and for general corporate purposes.

In 1946, the company expended $690,000,000 for new construction and it is expected that such expenditures will increase in 1947 and continue at a high level during the next few years.

Outstanding capitalization of the company adjusted to reflect the present financing consists of $1,273,004,400 of funded debt and 20,623,476 shares of common stock, $100 par value. Total capitalization of the company and its principal subsidiaries is $4,853,540,925.

The new debentures are redeemable at the option of the company at 103.75 before April 1, 1952; and at prices declining .15 of 1% for each year thereafter if redeemed prior to April 1, 1977, and at 100 thereafter.

America's Creditor Role

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ance to an impoverished and disorganized world. Appeals for aid continued while recovery is at best only dimly visible. Great Britain, with the aid of $5 billions in loans from the United States and Canada, appears today to be in a more desperate economic plight than a year ago.

By the beginning of 1947 much of our optimism had been swept away, to be succeeded by a more sober approach toward world affairs and the bewildering course of overseas developments into which we had been drawn. Slowly we began to understand that world leadship is expensive, and that it brings new responsibilities in areas which formerly seemed remote, and little of our concern. It is fortunate, I think, that we had reached this conclusion before the events of the past ten days burst upon us. Under other circumstances, President Truman's message last week concerning Greece and Turkey might have caused hysteria and apprehension. Instead, despite the inferences his words conveyed beyond their immediate import, the people of the United States seem more nearly united than they have been since Pearl Harbor in support of a national policy. Like a spoilt darling at a childrens' party, whose intransigence frustrates all efforts to appease, Russia has been given her "comeuppance"— to the relief not only of the great majority in this country, but of decent men everywhere who are interested in world rehabilitation rather than chaos.

It is doubtful, though, that many comprehend the full significance of the new course we are undertaking. For some months it has been apparent to seasoned observers that Moscow was promoting a policy that would result in economic disintegration in those territories she had marked for political conquest. Poland, Eastern Germany, Hungary, Austria, Rumania, Jugoslavia and Bulgaria have been stripped of the means of production, reduced to vassal states dependent upon the Kremlin for permission to use even the food they have left for bare subsistance. Greece has been swept off balance by civil war whose guerillas come from and are supported by surrounding Soviet territory. Turkey is kept in constant ferment by threats of encirclement. The whole Near East is restless, with more than a suspicion that the Palestine mess has Muscovite overtones. India is involved, and China—a whole world of political turmoil in which economic rehabilitation by private enterprise is all but impossible, and subversion thrives.

Note that, like Germany during the war, Russia has the advantage of interior lines for her needling campaigns—she can apply pressure at any point of a large perimeter. Greece today, Korea tomorrow, who can tell where next week there will be new symptoms that the witches' brew of political poison is at work?

In public and state gatherings, in the meantime, such as the United Nations or the Conference of Foreign Ministers, Stalin's representatives continue their lip service to world cooperation, wearing expressions of offended dignity as their repeated vetoes cause annoyance when confronted with otherwise unanimous judgment.

The time was overdue, last week, to call a halt, and the bluntness of President's message was its strength, not only for home consumption but for Russian consideration. Just as a show of British determination ended the opera bouffe of Moscow's move to interfere in Iran a few months ago, plain talk from Washington—if it is implemented without too much uninformed criticism—may resolve the present crisis. But not for long. Time works in Russia's favor at the moment; Communist ideology can be patient in the present state of world affairs, postponing the next incident until the fever of this one has subsided and democracy again is lulled into a sense of security. For that reason I believe it would be better if a capital budget were set up sufficiently large to encompass probable needs in all of the areas that experience and observation indicate may require financial help, and to write the specifications for its use in advance.

During the early years of the recent war, the comment was often made that assistance rendered was "too little and too late," and so tragically futile. In the struggle we are now undertaking to establish the kind of world we envisage, financial power is like military might, completely mobilized and ready for instant duty, its strength is there for all to see, and it may not be required; used in driblets, it is soon dissipated. Calling on the people of the United States for recurrent sums whenever new crises appear, as they will, endangers the whole campaign. Better far to estimate the whole sum required so that the eventual impact may be assessed, furnishing Congress with a blueprint for its use, and asking the appropriate legislative committees for supervision of funds that are expended.

The subject for discussion at your meeting tonight, auspiciously, is the "Foreign Lending Policy of the United States." I pretend no competence in public finance, which is Congressman Crawford's province and that of his colleagues, nor in commercial or investment fiscal procedure, in which Mr. Morgan is expert. But I have long felt that there are important considerations that are rarely invoked in the transfer of funds or the granting of credit at the international level, and it is to these phases of our lending policy that I shall confine my remarks.

As I see it, three types of advances are possible: first, government grants or loans; second, underwritings by private financial institutions; and third, investments by individuals or corporations in the furtherance of a business venture. The demand for funds is so tremendous that it will strain the resources of the country in each of these categories if the job is to be accomplished.

Government funds must necessarily lead the way, not only because of the magnitude of the need, but because it is necessary that a pattern be set before private finance can play its part, and this can be done only at the political level. Here sharp distinction should be made between advances for relief, and those for development. Doubtless there was occasion for UNRRA as aftermath of the war effort itself, but we are discussing now rehabilitation and the expansion of world economy.

Relief needs can much more capably be handled by the Red Cross, in my opinion, than by any political agency. It is international in scope, and could enlist the services of able and distinguished administrators to carry out any task that was assigned. America has always been prodigal when humanitarian considerations were involved, both as to private and government relief, and it will continue to be when necessity is demonstrated.

Funds for development, however, whether from public or private sources, are in a completely different classification. It is one of the characteristics of our enterprise system that we build self-reliance by making opportunity available when the determination to advance is demonstrated. The people of the United States will find it difficult to understand or support a system under which international loans are granted for specific purposes on any other basis than one of eventual repayment. Not only should all loans from public funds provide reimbursement at some time and in some form, but they should be granted only on the condition that they lead the way and smooth the path so that private investment may play its part.

There actually are areas in the world which have developed a philosophy, stimulated by political agitators, that the United States owes them a living, that this country is morally obligated to share its wealth not only without return, but without question as to the treatment of its institutions or nationals.

Realization of this fact led one of the committees of the National Foreign Trade Council recently to make these suggestions to high authority in Washington, and to ask these searching questions on behalf of all industry:

1. That there be immediate conference between government and American business and banking to determine what new developments overseas are, or may not be, in the interest of of the United States and its people.
2. As to each country to which it is proposed that government grants be made, what fields of industry or other business activity will be open for direct investments of private capital? What fields will be reserved as local, private or government monopoly? In which fields and in what form will local governments operate alongside of or jointly with private industry?
3. What assurances will be given that local government undertakings will not receive preferential treatment as compared with private enterprises in such matters as taxation, allocation of raw materials, etc.?
4. What fields of industry, aside from local government monopolies, will be closed to foreign investment?
5. To private enterprise contemplating the establishment of branch operations, what assurances will be given that new local laws, executive orders or taxes will not be promulgated that might inhibit these companies or individuals from operating at a reasonable profit? What assurances that such enterprise will be permitted to remit profits to the United States, and to obtain foreign exchange to pay for the imported goods and services required for local operations? What assurances that private enterprise will not be subjected to irregular demands and exactions on the part of local authorities that would prevent operations on a sound basis?

The answers to these questions will determine the extent to which industry will participate in the international job that needs to be done if our private enterprise system is to be extended to other parts of the world. These are questions, too, that private bankers will need to ponder, and to discuss in their undertakings for overseas commitments at the government level. Prior to World War I, private and political world bankers exacted various forms of concessions by means of tax remission and other considerations in their treaties and contracts, some of which are still operative, and cause for perennial dispute. Business in the United States asks no favors in its overseas expansion but it expects treatment as fair as that accorded its foreign counterparts when they enter our own market with branch or subsidiary operations.

The most enlightened attitude toward foreign investment that has been displayed recently was that taken by the new Philippine Republic a few days ago, when by a plebiscite it accorded to American citizens property and other rights paralleling the constitutional guarantees assured to the Filipinos themselves. The consideration obtained by the Philippine Republic in return is free trade with the United States until 1954, with graduated increases in duties thereafter until full parity with other nations is achieved in 1974.

Granted that the Philippine example is exceptional because of our stewardship over the Islands for 40 years, I submit that in return for the sharing of our substance with other less fortunate countries by means of financial advances, we are entitled to demand not favors, but fair treatment for our private enterprise system. Without it one partner in the team of world rehabilitation—private industry—will be handicapped and ineffective; without it there is little inducement other than a vague and unstable security consideration for the United States to participate at all in overseas economic development.

And the time to exact such treatment is when loans are in the negotiating stage, not as a suppliant after they have been granted. In the present state of world affairs, the argument is not valid that investment of dollars anywhere brings its return in increased trade in which we share. It isn't that kind of world any more. Russia would heartily applaud our continued outpouring of dollars with no strings attached, realizing that under current conditions we were weakening our fiscal structure. We are promoting the expansion of our system, and its adoption by others, and therefore expected to write the rules. A large part of the world looks to us—not to Russia—for aid in self-rehabilitation, and we would present a sorry spectacle indeed if we had so little faith in our destiny that we failed to proclaim its decalog.

It is precisely this consideration that Russia and her fellow travellers here and elsewhere will criticize most vehemently in any lending policy the United States may establish, because they know our system is the No. 1 enemy of Communism. The Moscow radio recently singled out a speech of mine for attack, saying among other things, equally inaccurate, in a half-hour broadcast in English beamed to North America:

> Freedom of trade as understood by financiers (sic) like Abbink is the establishment of a dictatorship of the American dollar in world trade, to impose America's economic system on other countries. Moreover, the American monoplies propose to utilize the State diplomatic machinery of the United States to defend their selfish interests, to insure America's billionaires the maximum profit in their foreign trade dealings.

Well, if what I advocate is dictatorship, or even dollar imperialism, I'll still buy it, and so will most of the rest of the world if given the opportunity. Everywhere, even in Russia itself, the United States is the example to which humans aspire. Private enterprise may not be perfect, but comparatively it is solvent.

In a recent address at the World Trade Conference in Chicago, I made a suggestion that I would like to repeat to this audience. It was that the United States begin serious consideration of a return to the free coinage and circulation of gold. Every trading nation of the world, with the important exception of Russia, wants its currency to have a high, stable value in international markets as a means of stimulating its foreign trade. A move so dramatic as the reestablishment of gold would confound and discredit the international apostles of Communism overnight. It would divert world thinking from an economic system based on barter—which Russia wants—to a system based on values which I embrace as our own. Many have expressed surprise and disappointment that Russia has withheld adherence to the International Bank and the Monetary Fund. Why should Russia cooperate in a system she pretends to abhor, so long as we make concession after concession to Soviet theories, and permit Moscow's gold meanwhile to trickle into foreign black markets at prices ranging up to $100 per ounce?

Whether we like it or not, let's face the fact that as a nation we are in the midst of a world struggle, politically, economically and morally, with Communism. We are at a disadvantage politically because the meaning of words can be twisted—"democracy," for instance, can be assigned various meanings in translation. We must, therefore, emphasize our economic strength to overcome that handicap. Once Russia and her satelites are convinced that we are determined to lead the way to economic security in the world, and so buttress our own, she will quickly cooperate in the international agencies that have been established for rehabilitation, instead of interposing constant vetoes which delay and frustrate.

One more consideration that has to do with our foreign lending policy, and I have finished. The President touched on it in his message when he said that the spending of any funds advanced to Greece or Turkey must be under the supervision of technicians from the United States.

Few realize, I think how scantily supplied government departments are with men who have experience capable of carrying out a program such as that on which we are embarked. Once Congress has passed the necessary legislation, administrative regulations, doubtless already drafted in part, will quickly appear, and departmental assignments of personnel for control will be made.

It will be tragic if our experience in obtaining a staff for the International Bank is to be repeated. In that case financiers of proven ability refused to take the public responsibilities placed upon them by a charter which gave veto power over their judgment to comparatively unknown and inexperienced bureaucrats. It has taken nearly 18 months of persuasion to find the able officials who this week have tackled the job on condition that the objectionable restrictions on their power of final decision be removed, as they have been. Perhaps the financing with which we are now faced unilaterally might have been undertaken by the International Bank, if it had been ready to function. But it will be some months at best before this organization can fulfill the role for which it was established, due to the near fiasco that was perpetrated in choosing its personnel.

There is danger in the present emergency that similar troubles loom. Reestablishment of the economy of even a small country under pressure is no job for the novice; the highest skills we possess in engineering and administration will be required. Already reports seep through the iron curtain Russia has drawn at the Grecian border that Moscow is building a series of dams in Bulgaria for flood control, irrigation and the production of power as an example of the dynaism of Soviet theory—as if the Kremlin foresaw the current crisis and was determined to demonstrate the superiority of its methods.

The race is on between our private enterprise system and its antithesis, Communism. I, for one am glad it has been publicly proclaimed, because I have no doubt at all of the outcome if all of our abilities are permitted full play. Washington must give us that opportunity in our foreign lending policy, so that the Third World of which I spoke earlier may take its firm stand on our side.

To be sure, if business—and I include both industry and agriculture in the term—is to bear its full share of responsibility in this expanding economy, it must rid itself of some of the shackles with which it has been bound. There must be an end to tariff and subsidy "feather-bedding," which weakens our economic structure by discouraging production efficiency. No business or political leader of whom I know is a so-called "free trader," but there are still a recalcitrant few to whom the laissez faire era of the past is more attractive than the challenge of the present and future, and who hope to fight an economic war with outmoded weapons that have proven ineffective.

If we reexplore that path, the contest is already lost!

Reasons for Confidence In Canadian Credit

(Continued from page 1650)

pal or interest payments of our public bonds. There were lucky escapes from crisis on several occasions which I mentioned but I concluded that in the 1930's the glamour days began to pass, to be succeeded by financial conservatism contrasting with the then current American experience and emphasized by the outbreak of war in September 1939.

I outlined some of the problems created by the war for Canada and the policies and practices devised to meet them. As holders of Canadian bonds I hope that you will not think me ill-advised to repeat verbatim some of the conclusions I expressed six years ago because they still appear to me to be true.

"I cannot bring myself to believe that there is anything fundamentally wrong in our foreign exchange relations with the United States. . . . Our shortage of U. S. funds is not due to any fundamental relative weakness in the Canadian economic or financial position but it is due to impediments in the ready acquisition and free conversion of foreign funds. . . . Remember that while our Canadian resources, our productive organization and our people are being swiftly geared to war we are prepared to pull in our belts so that neither our war effort nor our friendly relations with you will suffer. We shall do nothing foolish to imperil these twin objectives."

I say with pride that I think we lived up to those promises and with equal pride that we learned more than ever before the neighborliness and helpfulness of our friends in these United States.

Canada Stands for Capitalistic Traditions

In some respects Canada stands out in unique relief in this post-war world. We share with yourselves the distinction of continuing the capitalistic traditions which have brought economic growth and high living standards. We continue to be one of the few areas where, in spite of foreign exchange control, foreign and especially U. S. capital moves in and moves out with relative ease as far as we are concerned. Moreover, there is every sign that we intend to continue our democratic traditions in a world where authoritarian Communism is raising its head.

Ten years ago such observations would hardly have been regarded as unusual. It is an indication of the world-wide changes emanating from war that one now has to affirm adherence to capitalism, democracy and fair treatment of a neighbor's property.

I shall not detail to you the impact of war upon the Canadian economy and upon the Canadian way of life. To an American audience our statistics may appear picayune in magnitude unless they are increased twelve-fold to take account of the differences in population. Nevertheless, suffice it to say that our wartime effort was wholehearted, it was guided by military and civil servants whose policies were realistic and intelligent and it has left us strong and self reliant. Notable, I think, among our wartime achievements was our ability to avoid any reliance upon your generous lend-lease policy so lavishly accorded to your other allies. We stood on our own feet.

Productive Capacity Increased

Canada has ended World War II, as she ended World War I, without wartime destruction of physical resources but with a notable increase in productive capacity both in natural and manufacturing industries. In the latter, for instance, the number of factories increased by one-third, the number of employees doubled and the value of production nearly trebled in the wartime period. That is record-breaking expansion for a small country. Reconversion to peace has been well advanced and absorption of wartime workers into peacetime tasks has been accomplished without more than sparse regional unemployment.

Nevertheless, the overhead to carry such an expanded capital equipment imposes an obligation for low-cost mass production which will ensure disposal of goods produced on a profitable basis at home and abroad. Estimates have been made in the past that no less than one-third of Canada's national income originates in our external trade. Having regard to our increased capacity to produce and trade we shall, therefore, continue to be vitally interested in all proposals for liberal international trade. With us it is not a case of export or die. It is rather a case of export or go back to the horse and buggy days.

In Canada, as in other parts of the world, increasing industrialization has had social consequences with direct fiscal implications. Demands for more and more services from governments have been coupled with measures for guarantees of minimum social security in the way of old age pensions, mothers' allowances, unemployment insurance, and so forth. This is not the place to discuss these elements of social justice and I mention them only to put on the record that the contrast between pre-war and post-war Canadian budgets will be accentuated by them.

In general, therefore, the impact of war has been to leave our political and business institutions and procedures largely untouched in their fundamentals. It has, however, brought a startling enlargement in our economic structure and an increase in social responsibilities. We have today unequalled facilities to earn our way as a nation and, if there is cause for concern, it is only whether the post-war world will provide a congenial environment for our efforts. Our whole economy is geared, directly or indirectly, to abundant international trade.

Stability of Canadian Dollar

Mr. Freese has already advised me that your specific interests are confined to your holdings of Dominion and provincial bonds payable in United States dollars. I take it, therefore, that you are principally concerned in whether anything has occurred in recent years to alter these governments' willingness or ability to meet the terms of the obligations which you hold.

As far as willingness is concerned, the answer can be made emphatically. Contrary to the expressions made in some quarters in Canada in the depressed 1930's I can recall no instance in recent years where even an individual voice has been raised to alter the terms of our contracts arbitrarily. I think I can safely strengthen your convictions on that score.

I also feel that I can be equally emphatic about the ability of the governments concerned to meet their external obligations such as you hold. In part the answer depends upon the burden of the debt in relation to the bugdet position and in part upon the transfer problem involved in converting Canadian dollars into American dollars for debt payment purposes. It is with these two aspects that I wish to deal now.

From a budgetary standpoint our external debts, payable solely or optionally in U. S. dollars, are no problem. They are no problem because the sources and magnitude of the revenues required to service them have grown enormously and because the amount of our external debt has been diminishing consistently for many years as a result of conscious public policy.

Perhaps at this point a few figures will emphasize the point I am making.

Supporting Statistical Data

In 1940 Dominion and provincial debt payable solely or optionally in U. S. dollars was approximately one-quarter of the total debt. Today as a result of an internal debt increase and an external debt decrease it is less than one-sixteenth. Meantime as a result of redemption at or before maturity such debt was reduced by approximately one-third between 1940 and 1947.

At the beginning of 1947 the Dominion had $544 millions of N. Y. payment bonds outstanding and the provinces had $621 millions—a total of $1,165 millions. Having regard to annual service charges which should not run to more than $50 millions, I think we can agree that you are holding bonds which are diminishing rapidly in quantity, which are a decidedly minor proportion of Canadian public debts and whose servicing is of insignificant consequence in Canadian budgets.

I do not think it would serve any useful purpose to survey in detail Canadian Dominion and provincial wartime budgets and financing. As far as the Dominion is concerned, there are certain highlights which you may wish to recall. I have already mentioned that Canada's wartime financial effort was made without recourse to lend-lease from the United States. On the contrary we provided important financial and economic aid to the United Kingdom and other United Nations.

Secondly, a substantial reduction in our external public debts occurred although there were offsetting items in our disposal of U. S. assets and your acquisition of Canadian internal assets which I do not wish to discuss at this time. Moreover, I would estimate that provincial indebtedness was reduced by $300 millions and municipal indebtedness by $150 millions in wartime.

Thirdly, Federal borrowings during the whole of the war period were no more than 50% of the Dominion's cash requirements, approximately $14 billions being borrowed largely from institutional and private investors rather than from our banking system. In this respect our financing technique, I think, differed from yours.

Ordinary federal revenues increased from $450 millions in 1939 to $2,875 millions in 1946 while ordinary expenditures increased from $417 millions to $883 millions. In the same period net interest charges rose from $113 millions to $338 millions. Provided demobilization and veterans' expenditures and foreign advances can be reduced, there is scope for tax reduction and debt retirement.

The yearly increase in revenues which supported the government's expanding cash requirements was due, not only to a general willingness on the part of taxpayers to accept new and additional burdens, but to agreement by the provinces to yield important sources of revenue such as personal and corporation income taxes to the Dominion Government during the war emergency.

For a considerable time the Dominion has been endeavoring to persuade the provinces to continue this cooperation by renting to the Dominion access to these important sources of revenue for a minimum annual sum of $206,158,000 with provision for increases under certain circumstances. The questions raised by this offer are largely of domestic concern and need not be considered here. They impinge on the basis of Canadian federalism, provincial rights and responsibilities and the division of geographical income within the Dominion. The central provinces of Ontario and Quebec have given clear evidences of unwillingness to accept the present terms although the door has not yet been closed on further negotiation under certain conditions.

Acceptance of the Dominion's offer, in the aggregate, does not prejudice provincial capacity for debt payments. Provincial expenditures are likely to amount to approximately $350 millions annually with debt service around $60 millions. If customary provincial revenues are added to the Dominion rental the cause of budget balancing does not appear to have suffered. On the other hand, the federal budget for 1947-48 has not yet been announced and provincial budgets are not yet complete. All of the latter which have appeared provide for a surplus on current account in 1947-48. Until the new relations come into perspective final conclusions would obviously be premature.

Summary

Because you are holders of Canadian bonds I pause at this point to review some of the conclusions we have reached. The first conclusion, I think, is that, notwithstanding the existence of considerable economic instability in the 40 years prior to World War II, Canada was steadily attaining maturity. I hope that you are convinced that in her wartime effort Canada evinced considerable self-reliance and financial integrity, particularly in her avoidance of lend-lease, in her treatment of her foreign debts and foreign creditors, and in her ability to finance the war a long more or less orthodox lines.

Secondly, I have tried to make it clear that the particular segment of Canadian indebtedness eligible for investment by banks in this state is of diminishing significance. It is diminishing because the amount outstanding is steadily contracting and because its service charges are virtually infinitesimal in Canadian budgets.

Thirdly, while it is true that in the aggregate public debt charges have risen during the war period, the fiscal accounts of both the Dominion and the provinces give evidence of an ample margin of safety for debt payments.

Barring abnormalities, it seems to me that there are ample grounds for sustained confidence in Canada's internal economy and for her continued ability to raise the revenues necessary for debt service and general government purposes.

The Transfer Problem

With this reassuring conclusion we can now turn to an examination of Canada's ability to meet her external obligations. In other words, is there a transfer problem involved in converting an undoubted internal capacity in Canadian dollars into an equally undoubted external actuality in U. S. dollars?

By all reasonable odds it would appear that Canada should suffer no disabilities in this respect. Our resources have not been destroyed by enemy guns, our productive capacity has been enormously enlarged, our political institutions have continued intact and respected, our controls have been sane and observed, our ability to extend assistance to our friends has not been impaired. In these circumstances it would hardly be expected that there would be a breath of suspicion about our external position.

Yet in recent days Toronto, Montreal and Ottawa have been visited by many representatives of American institutions who have been disturbed by reports of a coming devaluation of the Canadian dollar. Lending color to the reports was a softening in the free market quotation of the Canadian dollar as well as in internal Canadians in New York. The question is of some urgency at the moment, therefore.

Let me preface what I have to say, however, by assuring you that

(Continued on page 1692)

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Approach to 178 subject to hesitation unless news or change in mass psychology occurs. Expect dull to reactionary April.

The market has gone up slightly since last week's column was written, but all the time it was doing it, interest has been at a low ebb. Rumors of all kinds are sweeping the Street. Everybody listens to them, repeats them with trimmings, but action on them is to all intents and purposes non-existant. Those who are long are sitting back biting their nails and cussing the source that advised them to buy. The bears are equally nervous and are also looking around for something to blame their doubts on.

So far this is all quite normal. A market in which either side is certain of its position, is a dangerous market to play with. It is when opinion is in balance that opportunities appear. The difficulty arises in trying to recognize the opportunity. It is then that mistakes are made. Oh, yes, I make them too. The idea, however, is to keep your mistakes down to a minimum. This, you will agree, is an ideal objective. How to attain it, is something else. One thing I have learned long ago, and that is there is no set formula for stock market success. In fact even the stock brokers haven't any formula for their own business. If they did, they'd have used it in past two months. I'll venture a guess that few, if any brokers, were out of the red during February, and still fewer will escape losses for March.

Broker's losses will have no effect on the stock market. That depends on bigger things than credit balances. Right now the important thing is the international picture and our new foreign policy. Where this will take us we hope Truman and Marshall know. What effect it will have on the market is debatable. Loans to Greece and Turkey are not new. They have both received loans from the Export-Import Bank, loans that are a long way from being used up. How the new loans will be used is obvious. Of course nobody believes these are loans. They are outright gifts. And speaking of loans the chances are we will grant England another one, and this time she will be in a tough spot if she doesn't get it. All these loans, whether to combat a hostile ideology or provide food or raw materials, will have to come out of American income. So Congress can propose tax reductions until its purple but how it can be done and still balance a budget is something which will take a lot of doing.

That all this must eventually affect the stock market is apparent. The trouble is in determining how it will do it. Insiders (you remember them!) are walking carefully. You can see that by the action of certain stocks. It is noticeable that while there is a lot of talk there is very little action to back up this talk. So a market which doesn't, or won't, go up, starts down. Given enough encouragement the bulls of yesterday become the bears of today, and a technical situation is built up which becomes ripe for a rally.

Last week this column said a rally to about the 178 figure wasn't too hard to imagine. At this writing (Wednesday night) this figure is almost on top of us. If some new development occurs in the next few days, I think the 178 figure will be surpassed by as much as five points. If not, you can expect, a gradual drying up of strength followed by another decline. I don't think this decline will be a short one, though it may not go down far in points. I sort of think we will see a period of weeks, maybe all of April, where each day sees another fractional retreat. Day by day it won't seem much, but measured over a period of weeks it can take stocks back to about the 170 level before any resistance is encountered.

Oddly enough the steels look like the best performers and, at the same time, the worst performers in this market. For the reasons behind it you can draw your own conclusions. In any case U. S. Steel and Bethlehem now look like the two stocks we will buy when they back away far enough, assuming of course that nothing happens between now and the immediate future that will upset the caluculations.

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.]

Reasons for Confidence In Canadian Credit

(Continued from page 1691)

you are to hear only my own opinions, and I have consulted with no one in authority who could give a lead as to policy. My conclusions are sincere but by no means dogmatic.

On the face of it, there seems to be no long-term reason for concern about the position of the Canadian dollar. Under ordinary circumstances export credits we derive from our trade with United Kingdom and other countries are sufficient, when supplemented with credits arising from nonmonetary gold exports and tourist trade, to meet characteristic debits in the United States originating in an excess of imports into Canada and in our interest and dividend obligations in this country. In essence, stability of the Canadian dollar can be assured by convertibility of sterling and other currencies into U. S. dollars.

For instance, in the calendar year 1946 Canada had excess exports to the United Kingdom and other countries of $902.3 millions and excess imports from the United States of $517.4 millions, leaving a positive balance of $384.9 millions to which could be added $200 millions from gold and tourist traffic.

If in this day and age currencies were convertible, no question of stability could arise. The problem is, however, partly that our trade credits are arising in considerable measure because of assistance we have given abroad and do not represent realizable funds and partly because the balance of the credits are not yet convertible into U. S. dollars.

Notwithstanding this disability it would seem to be decidedly premature to conclude that monetary authorities in Canada must necessarly devalue the Canadian dollar after raising it to parity only last July.

Ordinarily devaluation comes when physical destruction of resources has impaired productive capacity, when the financial position is out of balance and when fiscal unorthodoxy is impairing confidence.

None of these criteria, I venture to say, is applicable to Canada. Quite apart from present disabilities in international trade, in illiquid foreign exchange and in occasional jitterness in capital movements, there are elements of obvious strength in the Canadian situation and, therefore, in the Canadian dollar.

Provided Canada is not to be weakened permanently by narrowing of foreign markets or by inordinate disposal of securities from the United States, nothing of a fundamental nature is disturbing to the Canada dollar.

Our commodity price level is lower and less erratic than is yours in the United States. On a purchasing power parity basis, therefore, there is no cause for apprehension.

Taking a shorter view, our Foreign Exchange Control Board has not yet shown any niggardliness in the provision of U. S. dollars for legitimate purposes.

Moreover, devaluation is not the only means of correcting temporary disequilibrium in an international balance of payments. My whole theme today has been that Canada has and deserves an excellent credit standing. I suspect that we would not find it difficult to borrow in your financial markets if that contingency ever became necessary.

I hope you will agree that through our own efforts and through ordinary investment market processes, supported if necessary by the international monetary fund and the world bank, Canada can contribute to stability and expansion in this changing world. We should not be expected to steer our course by every wind that blows in Wall Street.

Accordingly, I feel I can conclude my remarks this morning on a confident note. To the extent that Canada is mistress of her own destiny there is no cause for concern. To the extent that we are affected by external factors we must persist in our hopes that in the slowly emerging new international political instrumentalities and in new international financial, trade and tariff arrangements we can find support for our efforts. Not the least of those nations to whom we shall look for encouragement is the United States.

Members of NYSE Believed Inclined to Favor Substantial Increases in Commission Rates

(Continued from page 1649)

would appear, in favor of an increase. In the New York financial district where brokers are close to the mechanism of the Exchange and so probably in a strategic position to feel changes, even minor changes, in the sensitive currents of business, such differences as there are on the question are sharper in their outlines. Though by no means all the large houses are against any increase, it is among the large houses where the opposition is most vociferous. Actually, of course, there is nothing definite for the various brokerage houses—large or small—to be opposed to at this time since the NYSE has not really submitted any new—revised—schedule to them for their consideration. In fact, the Board of Governors of the NYSE hasn't yet taken up the matter of revising rates though it is likely it will receive the recommendations and proposals of the Association of Stock Exchange Firms on the subject at its next policy meeting on Thursday, April 10.

Merrill Lynch, Pierce, Fenner & Beane has gone publicly on record as being opposed to any increase in commission rates. In fact, it says it favors a reduction in the costs to the small investor. However, it feels the rate structure should be simplified. "Street" reaction to the Merrill Lynch statement was varied, but a common observation was that Merrill Lynch, being something in the nature of a "chain department store," would logically be opposed to the proposed increase because, in the first place, it spreads its overhead costs over a larger area of operations, an area which includes an underwriting, investment banking, over-the-counter trading, besides a commodity and stock and bond commission brokerage business, and, in the second place, if any major adjustment of rates to increased costs by the brokerage industry as a whole are not effected, it would stand to gain if some of the smaller houses especially decided as time went on to discontinue operations.

Opposition forces generally are inclined to take the view that this is not the time to increase rates that a larger volume of trading would right matters, that minimums in commissions especially should not be increased. Even some of those who favor increases do not want rates to be such as to freeze small investors out of the market. Many brokers, however, are convinced that the only realistic way of meeting increased costs—that is, of meeting higher costs that are going to stay high—is to charge more for services performed, services which in many instances investors have never paid for adequately. Discrepancies in rates certainly should be wiped out, they believe. A happy medium should exist between certain costs and the prices which some investors are paying now for the services which they get, they hold. Rates shouldn't be so high, however, as to kill business, everyone agrees.

The Board of Governors of the NYSE will most likely refer the various suggestions of the Association of Stock Exchange Firms on the subject to its own staff for further study. The Exchange has received other plans for revising the commission rates and the Board will undoubtedly want to correlate all the thinking that has been done on the question and to weigh the merits of each suggestion. Opinion is, very evidently, fast crystallizing on the whole subject, however. The study which Emil Schram, President of the Exchange, asked the Association of Stock Exchange Firms to make on the subject of increased costs of doing business in the brokerage industry today is apparently producing some very tangible results. As reported last week, the Association found that average operating costs have risen 23.99% throughout the industry since 1942.

World Bank News

(Continued from page 1660)

From Dr. Harry White—executive director of the World Fund, who recently returned from a tour of several Latin American countries—the World Bank learns that it will receive loan applications from three countries: Costa Rica, Guatemala and Nicaragua. These, naturally, will be in the development category.

In addition the World Bank expects applications from Italy, Turkey, and the Netherlands. From the latter a formal application for perhaps $500,000,000 or $600,000,000 has been expected for some time.

* * *

Mr. Leon Baranski, Polish executive director of the Bank, is expected to return to Washington next week with detailed answers of the Polish Government to questions asked by the Bank in connection with Poland's application for $600,000,000 assistance.

* * *

Czechoslovakia last month submitted to the Bank a detailed expose of the $350,000,000 loan project it submitted last summer. The money is wanted for reconstruction, rehabilitation and restocking over a period of time, with only about $130,000,000 thereof to be used during the first year.

* * *

Iran's application for a World Bank loan of $250,000,000 has been before the Bank since October.

* * *

Mexico, whose president visits Washington, April 29, is reported as readying applications for World Bank and Export-Import Bank loans.

With King Merritt Co.

(Special to THE FINANCIAL CHRONICLE)

JEFFERSON CITY, MO.—Mrs. Georgia F. James has joined the staff of King Merritt & Co., Jefferson Building.

Howard Whitney Dead

Howard F. Whitney, investment banker with R. L. Day & Co., 14 Wall Street, New York City for 47 years, and a partner in the firm from 1929 to 1939 died at his home at the age of 68.

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.

All American Industries, Inc., New York (4/1)

March 17 (letter of notification) $300,000 10-year 5% income notes and 7,500 shares of capital stock (par 25¢). Offering—To be offered in units of $1,000 of notes and 25 shares of stock at $1,000 per unit. Underwriter—A. W. Benkert & Co., Inc., New York. To reduce indebtedness incurred in acquisition of outstanding stock of Oklahoma Steel Castings Co.

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. (3/31)

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 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.

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.

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.

• Apache Mines Co., Jerome, Ida.

March 17 (letter of notification) 300,000 shares of common. Price—$1 a share. To be sold through directors and following agents: Joseph W. Shipman, Bellevue, Idaho; and Harry P. Jayne, Jerome, Idaho. For exploring and developing properties.

• Applachian Minerals Co., Monticello, Ga.

March 24 (letter of notification) 30,000 shares ($10 par) capital stock. Price—$10 a share. No underwriting. For exploitation of feldspar deposits in Jasper County, Ga.

Arkansas Western Gas Co.

June 5 filed 16,197 shares of common stock (par $5). Underwriters—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. Offering—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). Underwriter—Kuhn, Loeb & Co., New York. Offering—The 350,000 shares of first preference stock will be offered in exchange to holders of its 532,996 shares of $6 cumulative convertible prior preferred stock at the rate of 1.4 shares of first preference stock for each share of $6 prior preferred. Shares of first preference not issued in exchange will be sold to underwriters. The 300,000 shares of second preference stock will be offered publicly. The 1,355,240 shares of common will be offered for subscription to common stockholders of the company in the ratio of one-third of a new share for each common share held. Unsubscribed shares of common will be purchased by the underwriters. Price—Public offering prices by amendment. Proceeds—Net proceeds will be used to retire all unexchanged shares of $6 prior stock and to redeem its outstanding 7% preferred stock.

George Eastwood, President, in letter to stockholders, Dec. 22 said "we have come to the conclusion it will not be necessary to issue any additional shares of common stock" as part of company's refinancing plan.

Artcraft Hosiery Co., Philadelphia

Sept. 27 filed 53,648 shares ($25 par) 4½% cumulative convertible preferred and 150,000 shares ($1 par) common. It also covers shares of common reserved for issuance upon conversion of preferred. Underwriter—Newburger & Hano, Philadelphia. Price—$25.50 a preferred share and $12 a common share. Proceeds—Company will receive proceeds from the sale of all of the preferred and 100,00 shares of common. The remaining 50,000 shares of common are being sold by three stockholders. Estimated net proceeds of $2,300,000 will be used by the company to pay off bank notes of about $1,100,000 and to purchase additional machinery and equipment in the amount of $1,200,000. Offering date indefinite.

Atlantic City (N. J.) Electric Co.

March 19 filed 522,416 shares ($10 par) common, being offered by American Gas & Electric Co. Underwriters—To be determined by competitive bidding. Probable bidders include: The First Boston Corp., and Drexel & Co. (jointly); Shields & Co., and White, Weld & Co. (jointly); Dillon, Read & Co., Inc., and Smith, Barney & Co. (jointly); Blyth & Co., Inc.; Union Securities Corp. Price—To be determined by competitive bidding. Proceeds—The offering is part of American's plan to dispose of its holdings of 1,150,000 outstanding shares of Atlantic City. The shares remaining after the public offering will be distributed as dividends on American's common stock. This dividend policy will become effective June 15 and will continue to the end of 1948.

• Atlantic Refining Co., Philadelphia (4/8)

March 20 filed 250,000 shares ($100 par) cumulative preferred stock, 3.75% series B. Underwriters — Smith, Barney & Co., New York, heads a group of 78 underwriters. Price—By amendment. Proceeds—For repayment of bank loans and for acquisition and development of additional production, refining and other facilities. The company said it has a tentative budget for 1947 calling for capital expenditures of approximately $46,849,000.

Automatic Firing Corp., St. Louis (4/1)

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.

• Badgley Inc., New York

March 20 (letter of notification) 5,000 shares of class A capital stock (par $1). Price—$10 a share. No underwriting. For operation of business.

• Bates Manufacturing Co., Lewiston, Me.

Mar. 20 (letter of notification) 500 shares ($10 par) common. Price—at market. Shares being sold through Baker, Weeks & Harden, New York, on behalf of Herman D. Ruhm, President of company.

Bates Manufacturing Co., Lewiston, Me. (4/2)

March 18 filed 54,905 shares ($10 par) common. Underwriter — E. H. Rollins & Sons, Inc., New York. Price — By amendment. Proceeds — The shares are being sold by its two largest stockholders — The First Boston Corp., 27,450 shares; and Coffin & Burr, Inc., 27,455 shares, which acquired the shares after they purchased the industrial subsidiaries of New England Public Service Co. in 1945 for $16,500,000.

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.

• Ben Gold Fur Workers Health and Welfare Fund, New York (4/1)

March 20 (letter of notification) $250,000 of building and improvement fund debentures. To be sold in denominations of $50, $100, $250 and $500. No underwriting. For construction and improvements of buildings and for operation of cultural resort for fur workers.

Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price $6 a share. Underwriter—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

(Continued on page 1694)

NEW ISSUE CALENDAR

(Showing probable date of offering)

March 29, 1947

Grammes (L. F.) & Sons, Inc.----------Preferred

March 31, 1947

Maine Public Service Co.
Noon (EST)----------Capital Stock
Michigan Gas & Electric Co.
Noon (EST)----------Bonds, Pref. and Common
New England Gas & Electric Association, 11:30 a.m. (EST)----------Bonds

April 1, 1947

All American Industries, Inc.--Debs., Capital Stock
Automatic Firing Corp.----------Pref. and Common
Ben Gold Fur Workers Health & Welfare Fund----------Debentures
New Jersey Water Co.----------Preferred
Plymouth Rubber Co.----------Common
West Phila. Consumers Cooperative Inc.--Common

April 2, 1947

Bates Mfg. Co.----------Common
Gardner-Denver Co.----------Preferred

April 7, 1947

Chicago Indianapolis & Louisville Ry.
Noon (CST)----------Equip. Trust Ctfs.
Solar Manufacturing Co.----------Preferred

April 9, 1947

Container Corp. of America----------Preferred
Georgia-Hardwood Lumber Co.----------Common

(Continued from page 1693)

Berkey & Gay Furniture Co., Grand Rapids, Mich.

Feb. 3 filed 733,575 shares ($1 par) capital stock. **Underwriting**—None. **Offering**—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. **Price**—At market. **Proceeds**—Go to selling stockholders.

● **Black Warrior Mining Co., Spokane, Wash.**

March 19 (letter of notification) 100,000 shares (5c. par) capital stock. **Price**—25 cents a share. **Underwriting**—To be sold by officers of the company for development purposes.

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 withold 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.

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.

● **Broad Street Investing Corp., New York**

March 25 field 250,000 shares ($5 par) capital stock. **Underwriter**—Broadstreet Sales Corp., New York. **Price**—Based on market. **Proceeds**—For investment. **Busines**—Investment business.

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.**

March 26 filed 60,000 shares ($100 par) cumulative preferred and 390,000 shares ($20 par) common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; Harriman Ripley & Co.; Kuhn, Loeb & Co., and Smith, Barney & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane, and Bear, Stearns & Co. (jointly). California Oregon will sell all of the preferred and 30,000 shares of the common, Standard Gas & Electric Co. (parent), which is planning to sell its entire common stock holdings in California Oregon, will sell the remaining 360,000 shares of common. The subsidiary plans to amend its charter to create the new preferred stock and to reclassify and increase the authorized common. The 312,000 shares of $25 par common of California Oregon present, outstanding are held by Standard Gas. They will be reclassified into 390,000 shares ($20 par) common. Standard Gas will make a capital contribution of 30,000 shares to California Oregon. **Proceeds**—Standard Gas will use the proceeds to reduce its bank loan notes. California Oregon will apply its proceeds to redeem 45,761 shares ($100 par) 6% preferred, series of 1927, at $110 a share. The balance will be used to reimburse its treasury for previous additions and improvements.

● **Capitol Indemnity Insurance Co., Indianapolis, Ind.**

Mar. 19 (letter of notification) 30,000 shares of common. **Price**—$6 a share. No underwriting. To provide additional capital and surplus.

Carney Fasteners, Inc., Columbia, S. C.

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.

● **Carney-Pacific Rockwool Co., Longview, Wash.**

March 17 (letter of notification) $125,000 of debentures. Company presently intends to sell only $70,000 of the debentures. No underwriting. For construction of plant 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 Mills, Inc., Dunbridge, O.

March 13 (letter of notification) $300,000 of first mortgage bonds. **Price**—$500 per unit. No underwriting. For retirement of preferred stock, for purchase of two alfalfa dehydrating plants from Logan County Dehydrators, Inc. and for retirement of latter's preferred stock.

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 7½ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.**

Cleveland (O.) Electric Illuminating Co.

Feb. 21, filed 1,847,908 shares (no par) common. **Offering**—All of the shares are owned by The North American Co., which is offering 1,714,524 shares to common stockholders of North American of record March 19 at $15 per share to the extent of one Cleveland for every five North American shares held. Rights expire May 27. The remaining 133,383 shares are to be sold, probably through competitive sale Probable bidders include Dillon, Read & Co. Inc.; The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Kuhn, Loeb & Co. and W. C. Langley & Co. (jointly); Otis & Co.; Blyth & Co., Inc.; Smith, Barney & Co.. **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.

Community Frosted Foods Co., Philadelphia

March 14 (letter of notification) 25,000 shares of class A common stock (par 10¢). **Price**—$5 per share. Underwriting, none. Additional working capital. Frederick Peirce & Co., Philadelphia has guaranteed the payment of semi-annual dividends of 12½ cents each in Oct., 1947 and April 1948.

● **Container Corp. of America, Chicago (4/9)**

March 21 filed 100,000 shares ($100 par) cumulative preferred stock. **Underwriter**—Kidder, Peabody & Co., New York. **Price**—By amendment. **Proceeds**—To be added to general cash funds for payment of a portion of the company's program for additions and improvements. **Business**—Manufacture of paperboard and paperboard containers.

● **Craig Mines & Quarries Inc., Prescott, Ariz.**

March 17 (letter of notification) 80,000 shares of stock. **Price**—$3 a share. No underwriting. To develop quarries.

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.

● **Cribben & Sexton Co., Chicago**

March 21 (letter of notification) a maximum of 5,000 shares ($5 par) common on behalf of Robert S. Caldwell, a director of company. **Underwriters**—Swift Henke & Co., and Paul H. Davis Co., Chicago.

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.

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.

● **Dillon & Co., Billings, Mont.**

March 14 (letter of notification) 500 shares ($100 par) common. **Price**—$100 a share. No underwriting. For purchase of oil, gas royalty interests and for mineral interests.

Douglas Oil Co. of California, Clearwater, Calif.

March 13 (letter of notification) 11,500 shares ($25 par) 5¼% cumulative convertible first preferred. To be offered at a maximum of $26 a share. **Underwriters** — Pacific Co. of California, Cruttenden & Co., Pacific Capital Corp., all of Los Angeles; Brush Slocumb & Co., San Francisco; and Adele W. Parker, Clearwater. To purchase 493 shares of capital stock of G. H. Cherry, Inc. out of a total of 625 such shares presently outstanding.

● **Dunlap Frozen Foods Co., Chattanooga, Tenn.**

Mar. 19 (letter of notification) $25,000 6% ($10 par) cumulative preferred. **Price**—$10 a share. No underwriting. For acquisition of real estate and plant.

Duraloy Co., Scottdale, Pa.

March 12 (letter of notification) 25,000 shares ($1 par) common on behalf of the issuer, 12,500 shares ($1 par) common for the account of Thomas R. Heyward, Jr., and 12,500 shares ($1 par) common for the account of Mrs. Thomas R. Hayward, Jr. **Price**—At market (approximately $3.25 per share). **Underwriter**—Johnson & Johson, Pittsburgh, Pa., and The First Cleveland Corp., Cleveland. The company will use its proceeds for working capital.

Ebaloy, Inc., Rockford, Ill.
March 12 (letter of notification) $125,000 of 10-year 2½% subordinated debentures, due 1957. **Price**—$25 a unit. No underwriting. To retire current liabilities and for working capital.

Edelbrew Brewery, Inc., Brooklyn, N. Y.
Dec. 31 filed 5,000 shares ($100 par) 5% non-cumulative preferred. **Underwriters**—None. **Offering**—To be offered at par to customers, officers and employees of the company. **Proceeds** — For corporated purposes including modernization and improvement of the manufacturing plant and machinery and equipment.

Elkhorn-Beaverhead Mines Co., Baltimore, Md.
March 12 (letter of notification) $250,000 first mortgage 10-year 5% bonds, and 250,000 shares (10 cents par) common. **Price**—$550 per unit consisting of $500 bond and 500 shares of common. No underwriting. For mine development.

● **Empire Petroleum Co., Denver, Colo.**
March 18 (letter of notification) 2,000 investment units and 25,000 shares of common. **Price**—$100 per investment unit and $2.50 per common share. Company to handle sale until underwriting agreement made. For working capital.

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 of record on or about April 1 at $100 a share in the ratio of one preferred share for each 38 shares of common held. Rights will expire April 30. The remaining 169 shares, and any unsubscribed shares, will be offered to persons yet to be determined. **Proceeds**—Proceeds are to be applied to reduce an outstanding bank loan and to finance capital improvements and additions to its plants.

Equipment Finance Corp., Chicago
Feb. 28 filed 8,025 shares ($100 par) 4% cumulative preferred, series 2, and 25,070 shares ($10 par) common. **Underwriting** — None. **Offering**—Company anticipates that the entire offering will be sold to its employees and officers. Price—Par. **Proceeds**—Estimated proceeds of $1,045,000 will be applied to working capital.

Federal Electric Products Co., Newark, N. J.
Feb. 26, filed 150,000 shares ($1 par) common class A. **Underwriter**—E. F. Gillespie & Co., Inc., New York. **Price**—$7.25 a share. The registration states principal stockholder has granted the underwriters an option to purchase 45,000 shares of class B ($1 par) common at $7.25 a share, exercisable for a period of three years. **Proceeds**—Proceeds of approximately $870,000, together with $755,000 of other bonds, will be used to repay the balance of $34,000 of a property mortgage, to pay off loans in the amount of $1,295,000 to Bankers Commercial Corp., New York, and for additional working capital.

Films Inc., New York
June 25, filed 100,000 shares ($5 par) class A stock and 300,000 shares (10 cent par) common stock, of which 200,000 shares reserved for conversion of class A. Each share of class A stock is initially convertible into 2 shares of common stock. Underwriters—Herrick, Waddell & Co., Inc., New York. Offering—To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. Proceeds—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational

● **Fire Chief Mining Co., Spokane, Wash.**
Mar. 18 (letter of notification) 200,000 shares (5¢ par) stock. Of the total 100,000 shares will be sold at 10 cents a share and the remainder will be sold in blocks of 20,000 shares at 5 cents a share. No underwriting. For mine development.

● **Fluid Transmissions Research Corp., Baltimore, Md.**
Mar. 19 (letter of notification) 1,000 shares ($50 par) 7% cumulative preferred and 10,000 shares (no par) common. Preferred will be sold at $50 a share. 2,000 shares of common will be issued in payment for services and the remaining shares are reserved. No underwriting. To lease ground and erect building for business.

● **Food Machinery Corp., San Jose, Calif.**
Mar. 21 filed $8,000,000 sinking fund debentures, due 1962, and 70,000 shares ($100 par) cumulative convertible preferred. **Underwriters**—Kidder, Peabody & Co., New York, and Mitchum, Tully & Co., San Francisco. **Price**—By amendment. **Proceeds**—To reimburse its working capital for expenditures made in connection with its expansion program and for repayment of bank loans. **Business**—Manufacture of orchard spraying devices and other products.

Foreman Fabrics Corp., New York
July 29 filed 110,000 shares ($1 par) common stock, all outstanding. Underwriters—Cohu & Torrey. Price by amendment. Issue may be withdrawn.

● **Forest Products Sales Co., Los Angeles, Calif.**
March 21 (letter of notification) 2,640 shares of common. **Price**—$20 a share. No underwriting. For working capital.

Fresh Dry Foods, Inc., Columbia, S. C.
Aug. 30 filed 450,000 shares (10¢ par) common. Underwriter—Newkirk & Banks, Inc. Offering—Of the total company is selling 350,000 shares and two stockholders, Roland E. Fulmer and Louis H. Newkirk, Jr., are selling the remaining 100,000 shares. Price—$6 a share. Proceeds—For purchase of sweet potatoes, plant expansion, additional storage facilities, research and development work and working capital.

Gardner-Denver Co., Quincy, Ill. (4/2)
March 13 filed 25,000 shares ($100 par) cumulative preferred stock. **Underwriter**—A. G. Becker & Co. Inc., Chicago. **Price**—By amendment. **Proceeds**—Of the net proceeds, $1,000,000 will be used to pay the company's 1¼% notes, due April to June. The balance will be used as working capital.

Georgia Hardwood Lumber Co. (4/8-9)
March 14 filed 100,000 shares ($1 par) common. **Underwriters**—Reynolds & Co., New York, and Equitable Securities Corp., Nashville, Tenn. **Price**—$8.20 a share. **Proceeds**—To obtain long-term cutting contracts on large tracts of timber, to construct additional manufacturing units and for other expansion purposes.

Glen Industries Inc., Milwaukee, Wis.
July 31 filed 50,000 shares of $1.25 cumulative convertible preferred stock series A ($20 par) and 150,000 shares (10c par) common, all issued and outstanding and being sold by eight selling stockholders. Underwriters—Van Alstyne Noel & Co. Price by amendment. Proceeds—To selling stockholders. Offering temporarily postponed.

Glencair Mining Co. Ltd., Toronto, Can.
Oct. 2 filed 300,000 shares ($1 par) stock. Underwriter—Mark Daniels & Co., Toronto. Price—40 cents a share (Canadian Funds). Proceeds—For mine development.

Glensder Textile Corp., New York
Aug. 28 filed 355,000 shares ($1 par) common, of which 55,000 shares are reserved for issuance upon the exercise of stock purchase warrants. Underwriter — Van Alstyne, Noel & Co. Offering—The 300,000 shares are issued and outstanding and being sold for the account of certain stockholders. Company has also issued 55,000 stock purchase warrants to the selling stockholders at 10 cents a share entitling them to purchase up to Aug. 1, 1949, common stock of the company at $11 a share. Price by amendment. Offering temporarily postponed.

● **Golden Recovery, Reno, Nev.**
Mar. 19 (letter of notification) 4,000 shares of common. **Price**—$5 a share. To be sold through President of company. For printing of book The Golden Recovery.

● **Grammes (L. F.) & Sons, Inc., Allentown, Pa. (3/29)**
March 24 (letter of notification) 2,000 shares of $1.50 cumulative preferred stock (no par). **Price**—$25. Offering to stockholders and employees. Working capital, etc.

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.

● **Hastings Manufacturing Co., Hastings, Mich.**
March 18 (letter of notification) 1,875 shares ($2 par) common on behalf of Erik von Reis, Grosse Pointe Farms, Mich. **Price**—$20 a share. **Underwriter**—Silas C. Coleman, Battle Creek, Mich. Proceeds go to the selling stockholder.

● **Hastings Manufacturing Co., Hastings, Mich.**
March 17 (letter of notification) 500 shares ($2 par) common on behalf of Aben E. Johnson. **Price**—$20 a share. **Underwriter**—S. C. Coleman, Battle Creek, Mich.

● **Hastings Manufacturing Co., Hastings, Mich.**
March 17 (letter of notification) 500 shares ($2 par) common on behalf of Harold P. Phillips. **Price**—$20 a share. **Underwriter**—Silas C. Coleman, Battle Creek, Mich.

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.

Helicopter Air Transport, Inc., Camden, N. J.
March 14 filed 270,000 shares of capital stock. **Underwriter**—Strauss Bros., Inc., New York. **Price**—$3.50 a share. **Proceeds**—Net proceeds will be used to pay obligations, purchase helicopters and equipment and for working capital.

● **Hilton Hotels Corp., Los Angeles**
March 17 (letter of notification) 2,500 shares ($50 par) convertible preference stock on behalf of C. N. Hilton. Price at market. To be sold through dealers in usual course of business.

● **Houston Lighting & Power Co.**
Mar. 25 filed 259,002 shares of common. **Underwriting**—none. **Offering**—Company will issue warrants to its common stockholders of record on April 25 giving them the right to subscribe for one share of common for each 4 shares held at $37.50 a share. It will on April 16 file with the Secretary of State of Texas an amendment to its charter converting its then outstanding 517,999 shares of common into 1,035,998 shares and to convert its then authorized 600,000 shares of common into 1,200,000 shares and to increase the total authorized common to 2,000,000 shares. Unsubscribed shares may be offered publicly through underwriters. **Proceeds**—To be added to working capital for general corporate purposes, including construction of additions to its system.

Hy-Grade Supply Co., Oklahoma City
Dec. 3 (leter of notification) 54,350 shares of cum. conv. preferred and 50,000 common stock purchase warrants. Price—$5.50 a preferred share and 2 cents a warrant. Underwriter—Amos Treat & Co., New York. It is expected that a full registration will be filed later with the SEC.

Illinois Power Co., Decatur, Ill.
June 17, filed 200,000 shares ($50 par) cumulative preferred stock and 966,870 shares (no par) common stock. Underwriters—By competitive bidding. Probable bidders include Blyth & Co., Inc.; The First Boston Corp.; W. E. Hutton & Co. Proceeds—Net proceeds from the sale of preferred will be used to reimburse the company's treasury for construction expenditures. Net proceeds from the sale of common will be applied for redemption of 5% cumulative convertible preferred stock not converted into common prior to the redemption date. The balance will be added to treasury funds. Company has asked the SEC to defer action on its financing program because of present market conditions.

International Dress Co., Inc., New York
Aug. 28 filed 140,000 shares of common stock (par $1). Underwriter—Otis & Co. Offering—Price $10 per share. Proceeds—Selling stockholders will receive proceeds. Offering date indefinite.

Iowa-Illinois Gas & Electric Co.
Feb. 15 filed $22,000,000 of first mortgage bonds due 1977. **Underwriter**—To be determined by competitive bidding. The Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Glore, Forgan & Co.; Blyth & Co., Inc.; Harriman Ripley & Co.; Harris, Hall & Co. (Inc.). **Proceeds**—Part of the proceeds will be used to pay mortgage debt of $10,578,000 and balance will be added to general funds.

Jahn & Ollier Engraving Co.
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.

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● Lamston (M. H.), Inc., New York

March 25 (letter of notification) 500 shares of common stock. **Price**—$8.50 per share. **Underwriter**—Childs, Jeffries & Thorndike, Inc. Proceeds to selling stockholder.

Latin American Airways Inc., New York

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.

Maine Public Service Co. (3/31)

June 25 filed 150,000 shares ($10 par) capital stock. **Underwriters**—To be determined through competitive bidding. Probable bidders include The First Boston Corp.; 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. **Bids Invited**—Bids for purchase of the stock will be received up to noon (EST), March 31, by Consolidated, at 90 Broad Street, New York City.

Maguire Industries, Inc., New York

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.

Massachusetts Investors Trust, Boston

March 19 filed 696,178 shares of beneficial interest. **Underwriter**—Vance, Sanders & Co. Boston. **Price**—Based on market. **Proceeds**—For investment.

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.

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 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.

Michigan Gas & Electric Co. (3/31)

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; Halsey, Stuart & Co.. Inc. (bonds only). **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. **Bids Invited**—Proposals for the purchase of the bonds, preferred stock and common stock will be received up to 12 noon (EST), March 31, at Office of Bankers Trust Co. (conference room No. 1), 16 Wall Street, New York.

● Mission Appliance Corp., Los Angeles

March 25 filed 58,000 shares ($5 par) common. **Underwriter**—Lester & Co., Los Angeles. **Price**—$11.50 a share. **Proceeds**—For construction of new plant building and an office building and for purchase of machinery and equipment. **Business**—Manufacture of gas-fired water heaters.

● Mitchell Mining Co., Inc., Mount Vernon, Wash.

March 17 (letter of notification) 100,000 shares (10¢ par) stock. **Price**—10¢ a share. To be sold through officers and directors. For mine development.

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.

Mutual Plywood Corp., Oakland, Calif.

March 11 filed 7,000 shares of 6% cumulative preferred stock (par $100) and 10,000 shares of common stock (par $100). Underwriting none. **Price**—Preferred $100; common $100. **Offering** — Securities will be offered mainly to employees. **Proceeds** — For construction of plant, purchase of machinery, etc.

Nesbett Fund Inc., New York

March 12 filed 300,000 shares ($1 par) capital stock. **Underwriter**—John G. Nesbett & Co., New York. **Price** — Based on market. **Proceeds** — For investment. The company estimates an aggregate offering price of $2,952,000 based on $9.84 a share which would have been the proposed offering price on Feb. 28.

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.

New England Gas & Electric Ass'n (3/31)

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; also filed were 766,776 shares (par $8) common to be offered in exchange for $5.50 preferred on 5-for-1 basis; $479,235 shares common to be offered such preferred stockholders at $9 per share, and 543,375 common shares for conversion of preferred. **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. The First Boston Corp. has been selected by the trustees as underwriter of the preferred and common stock. Holders of existing $5.50 preferred stock of record March 24 will have the right to subscribe to the new common at $9 per share in the ratio of 5 common for each $5.50 preference held. Subscription rights will expire about April 15. **Proceeds**—Financing is part of recapitalization plan to retire outstanding indebtedness of $34,998,500. **Bids for Bonds**—Bids for the purchase of the bonds will be received up to 11:30 a.m. (EST), March 31, at 10 Temple Street, Cambridge, Mass.

● New Jersey Water Co., Haddon Heights, N. J. (4/1)

March 24 (letter of notification) 2,950 shares, $4.25 series A preferred stock (no par). **Price**—$101 per share. **Underwriter**—E. H. Rollins & Sons, Inc. **Proceeds**—To retire 7% preferred stock.

Northern Natural Gas Co., Omaha, Neb.

March 13 filed $10,000,000 of serial debentures, due 1956 to 1967. **Underwriters**—To be determined by competitive bidding. Probable bidders include Dillon, Read & Co. Inc.; Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. **Price** —To be determined by competitive bidding. **Proceeds**—Net proceeds will be used to construct additional property and facilities.

● Northern States Power Co. (Wis.)

March 24 filed $19,000,000 first mortgage bonds, series due April 1, 1977. **Underwriters**—To be determined by competitive bidding. Probable bidders include Smith, Barney & Co.; The First Boston Corp.; Harriman Ripley & Co.; Halsey, Stuart & Co. Inc. **Proceeds**—Company will apply $17,866,187 of proceeds toward the redemption of $16,975,000 first mortgage bonds, 3½% series, due 1964, at 105¼%. The balance, together with funds from sale of additional common stock to parent, Northern States Power Co. (Minn.), will be used to reimburse its treasury for previous construction and improvement expenditures.

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.

Pacific Power & Light Co., Portland, Ore.

July 10 filed 114,815 shares ($100 par) 5% preferred. **Offering**—Company proposes to exchange the new preferred share-for-share for the outstanding $6 and 6% preferreds and share-for-share plus $5 per share in cash for 7% preferred of the Pacific Power & Light Co. and Northwestern Electric Co. upon merger into Pacific Power & Light Co. No underwriting.

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.

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. (4/1)

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.

● Public Service Co. of Indiana Inc.

March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters** — None. **Offering** — For subscription to common stockholders in the ratio of $200 principal amount of debentures for each 20 shares of common held. The debentures will be convertible into common from May 1, 1947 to April 30, 1959. **Price**—At face amount. **Proceeds**—For repayment of $11,500,000 of bank loan notes.

● Pumice Block Co., Seattle, Wash.

March 21 (letter of notification) 1,530 shares ($20 par) capital stock. **Price**—$20 a share. No underwriting. Operation of business of manufacturing cement building blocks.

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.

Refrigerated Cargoes, Inc., New York

Feb. 3 filed 25,000 shares ($100 par) 6% cumulative preferred and 25,000 shares (no par) common. **Underwriter** —John Martin Rolph, Vice-President and director of company. **Price**—The stocks will be sold at $105 per unit consisting of one share of preferred and one share of common. **Proceeds**—To be used in organization of business.

Republic Pictures Corp., New York

Registration originally filed July 31 covered 184,821 shares of $1 cumulative convertible preferred ($10 par) and 277,231 shares (50c par) common stock, with Sterling, Grace & Co. as underwriters. Company has decided to issue 454,465 shares of common stock only, which will be offered for subscription to stockholders of record Sept. 5 to the extent of one share for each five held. Issue will not be underwritten.

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.

Rosslyn Loan Co., Inc., Arlington, Va.
March 12 (letter of notification) 20,000 shares ($10 par) preferred. **Price**—$10 a share. **Underwriter**—Miller & Patterson, Richmond, Va. For expansion purposes.

● **Sierra Petroleum, Inc., Denver, Colo.**
March 18 (letter of notification) 2,000,000 shares (5¢ par) common. 500,000 shares will be offered in exchange for 1,000,000 shares of Barney Oil Corp. stock. Remaining shares will be sold at 10¢ a share. No underwriting. To pay indebtedness of Barney and to drill oil wells.

● **Silent Bell Mines Inc., Orient, Wash.**
March 21 (letter of notification) 511,550 shares (10c. par) common. **Price**—10 cents a share. No underwriting. To acquire and develop mining properties.

● **Silver Pirate Mining Co., Wallace, Ida.**
March 14 (letter of notification) 1,000,000 shares (10¢ par) common. **Price**—12½¢ a share. To be sold through officers and directors of company. To purchase plant machinery, equipment and for working capital.

● **Skymotive Aviation Management Corp., Park Ridge, Ill.**
March 18 (letter of notification) 500 shares ($100 par) preferred. **Price**—$100 a share. No underwriting. For purchase of shop equipment and for working capital.

● **Skyway Corp., Providence, R. I.**
March 18 (letter of notification) warrants to purchase 1,000 shares (no par) Class A common. **Price**—$100 a share. No underwriting. For working capital.

Solar Manufacturing Corp. (4/7-11)
March 19 (by amendment) filed 110,000 shares of 75c cumulative convertible preferred stock, series B (par $5) **Underwriters**—Van Alstyne, Noel & Co. Price per share $12.50 **Proceeds**—Net proceeds will be applied to redemption of bank loans and to cover part of cost of expansion program.

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.

● **State Finance Co., Youngstown, O.**
March 17 (letter of notification) 2,100 shares (no par) cumulative preferred. **Price**—$100 a share. Butler, Wick & Co., Youngstown, Ohio, dealer. For expansion of business.

● **Strauss Fasteners Inc., New York**
March 25 filed 25,000 shares of 60 cents cumulative convertible preferred. **Underwriter**—Floyd D. Cerf Co. Inc., Chicago. **Offering**—The shares initially will be offered for subscription to common stockholders of Segal Lock & Hardware Co. Inc., parent, at $9 a share in the ratio of one share of preferred for each 30 shares of Segal common held. Unsubscribed shares of preferred will be offered publicly at $10 a share. **Proceeds**—For additional working capital. **Business**—Manufacture of slide fasteners.

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 1977, 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.

● **Tonopah Belmont Consolidated Mines Co., Reno, Nev.**
March 20 (letter of notification) 25,000 shares of common. **Price**—50 cents a share. **Underwriter**—Joseph J. Murphy, Reno. To complete erection of mill and recondition property.

● **Tonopah Divide Mining Co., Reno, Nev.**
Mar. 19 (letter of notification) 100,000 shares of treasury stock to be transferred by company to Bert Riddick at 33⅓ cents a share. No underwriting. For mine operation.

United States Air Conditioning Corp., Minneapolis, Minn.
March 13 (letter of notification) 75,500 shares (10¢ par) common. Of the total, 18,500 shares will be issued to Archie S. and Mae Feinberg as a part of the consideration for purchase of co-partnership business under name of Great National Air Conditioning Co., Dallas, Tex. The remaining 57,000 shares will be offered publicly at from $3,625 to $4,125 a share. **Underwriting**—George F. Breen, New York. To reimburse treasury and for working capital.

● **United States Patents Corp., Boston, Mass.**
March 24 (letter of notification) 3,000 shares of class A common on behalf of a Grover Fitzgerald, Boston, Director and President of the company. **Price**—$4 a share. No underwriting.

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.

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); Kidder, Peabody & Co.; Merrill Lynch, Pierce, Fenner & Beane and Paine, Webber, Jackson & Curtis (jointly); Blyth & Co., Inc.; The First Boston Corp. **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.

Utah Chemical & Carbon Co., Salt Lake City
Dec. 20 filed $700,000 15-year convertible debentures and 225,000 shares ($1 par) common. The statement also covers 105,000 shares of common reserved for conversion of the debentures. **Underwriter**—Carver & Co., Inc., Boston. **Price**—Debentures 98; common $3.75 per share. **Proceeds**—For plant construction, purchase of equipment and for working capital.

Victory Gold Mines Ltd., Montreal, Canada
Nov. 13 filed 400,000 shares ($1 par) capital stock. **Underwriter**—None as yet. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

● **Weaver Placer Mines Inc., Phoenix, Ariz.**
March 18 (letter of notification) 10,000 shares ($10 par) common. **Price**—$10 a share. To be sold through licensed salesmen. For purchase and installation of machinery and payment of operating expenses.

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

● **West Phila. Consumers Cooperative Inc. (4/1)**
March 21 (letter of notification) 20,000 shares of common. **Price**—$5 a shart. No underwriting. To establish cooperative store.

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.

Whites Auto Stores, Inc.
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 Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The Wisconsin Co.; Dillon, Read & Co., Inc. **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.**

Woodmont Country Club, Bethesda, Pa.
March 12 (letter of notification) $300,000 non-interest bearing debentures. **Price**—$250 per unit. No underwriting. To obtain golf course property and to improve same.

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 current market but at not less than $10 per share. **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)

● **American-Marietta Co.**
March 25 stockholders voted to offer 100,000 shares of class A common stock to the public when the securities market improves. The stockholders voted to raise the 20,000 shares of authorized preferred stock to 35,000 shares and to increase the authorized common to 1,000,-000 shares from the present 100,000. The common classification includes the class A and class B stocks, which would be raised from 10,195 to 250,000 shares and 89,805 to 750,000 shares, respectively.

● **Central Illinois Light Co.**
March 25 company asked the SEC to approve a proposal to increase the authorized common shares of the company and to split the shares to facilitate the disposal of the holdings of its parent, the Commonwealth & Southern Corp. in Central Illinois.

● **Central & South West Corp.**
April 7 the SEC will consider request of Middle West Corp. to extend the time for disposal of its common stock holdings in Central & South West to June 30, 1947. Middle West said that it has been physically unable so far to distribute Central & South West common to its own stockholders as contemplated under the plan.

● **Chicago, Indianapolis & Louisville Ry. (4/7)**
Company is inviting bids to be opened noon (CST) April 7 for $2,800,000 of equipment trust certificates, the proceeds to be used to finance not over 75% of the purchase price of 22 diesel-electric locomotives, to be acquired at an estimated costt of $3,765,500. Bids will be received at office of company, 608 So. Dearborn St., Chicago.

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● **Fairbanks Morse Co.**

March 26 company is working out details of a debenture issue to provide funds for two plants and for increased sales volume. Part of the money will be used to purchase from the government of two plants operated by the company during the war.

● **Foremost Dairies, Inc.**

Early registration of 70,000 shares (par $50) preferred stock expected. Probab e underwriters include Paine, Webber, Jackson & Curtis and Allen & Co.

● **Missouri Utilities Co.**

March 25 company filed a refinancing program with the Missouri PS Commission. Plan calls for sale of $400,000 of 2⅞% bonds of 1971 and a maximum of 62,000 common shares. Part of common is to be sold at $20 a share and the balance distributed as a stock dividend in the ratio of three shares for each 10 shares now outstanding.

● **Northwest Airlines, Inc.**

March 26 possibility of new financing through a preferred stock issue in near future reported. Probable underwriter Auchincloss, Parker & Redpath.

● **Public Service of New Hampshire**

March 20 company applied to the SEC for permission to increase its short-term debt to a maximum of $4,400,000. Company stated that prior to Aug. 1 it intends to increase its long-term debt by not less than $4,300,000 and issue and sell sufficient shares of its $10 par common to produce not less than $3,500,000.

● **South Carolina Power Co.**

March 25 company asked the SEC for authority to sell 200,000 shares of common stock to finance property additions. Of the 600,000 shares now outstanding out of a total of 1,000,000 authorized, the Commonwealth & Southern Corp. owns all but 12 directors' qualifying shares. Expenditures for additions and betterments will total $8,500,000 in the next three years, it is said. Probable bidders if stock is put up for sale include The First Boston Corp.; Harriman, Rip ey & Co.; Morgan Stanley & Co.

● **Trunkline Gas Supply Co. (Del.)**

March 22 in application to FPC for permission to construct transmission pipeline from Wharton County, Texas to Keokuk, Iowa, 855 miles, to cost about $74,266,000, company stated financing would be through sale of bonds and preferred stock supplemented through short-term loans and issuance of additional common stock.

● **Western Electric Co.**

April 8 stockholders will vote on increasing authorized capital stock from 7,500,000 shares to 9,000,000 shares, with the additional 1,500,000 shares to be offered on a pro-rata basis to stockholders. American Telephone & Telegraph Co. owns 99.46% of Western Electric stock.

Our Reporter's Report

The rousing success which attended the marketing of American Telephone & Telegraph's $200,000,000 of 2¾% 35-year debentures, following closely the similar reception accorded Consolidated Edison Co.'s $100,000,000 issue a week ago, has had a tonic effect on investment thinking.

There was never any question of the ultimate success of this record new money undertaking, but even the most optimistic were pleasantly surprised by the celerity which marked its placement. Sold in competitive bidding, the issue was passed along to investors within the space of a few hours, spurred, it should be noted, by the quick clearance accorded by the Securities and Exchange Commission.

Perhaps the real story behind this remarkable performance is to be found in recognition by the company and the bankers, that the "customer is always right." At any rate the business was carried out realistically, from bidding to pricing, and consequently the yield basis to the purchaser.

It was the type of issue that appealed to institutions, particularly the insurance companies, which have not had too easy a time finding investment outlets on the terms they seek.

But here was a prime investment being offered at a price of 100.75 to return a yield of 2.72%. This fitted right into the portfolio ideas of the major life firms, not only in New York, but around the country. As a consequence sponsoring bankers were able to announce substantial oversubscription within a short time of the opening of the books.

Trifle More Costly

The outcome of the A. T. & T.'s operation reflected the stiffening that has occurred in the basic money market since the beginning of last summer. Two banking groups embracing, between them, just about the entire distributing facilities of the investment industry, sought the issue.

The successful group bid was 100.30 for a 2¾% coupon, making for an indicated cost basis to the company of 2.737% for the 35-year issue, a relatively satisfactory basis in itself.

But to get an idea of the change which has come about it is but necessary to look back to last July when the company floated its last issue by the competitive route.

True, at that time the total was smaller, $125,000,000. But the term was longer, 40 years. That issue brought a winning bid of 100.369393 for a 2⅝% coupon, or an indicated cost basis of 2.61%.

Two More Big Ones

The parent company's experience should tend to speed up the plans of American Telephone & Telegraph's operating subsidiaries which, almost without exception, should be in the market for new capital from time to time.

New York Telephone Co. already has filed with the State Public Service Commission plans for marketing of $125,000,000 of 35-year debentures to reimburse its treasury for prior outlays and to repay advances by A. T. & T. for construction.

Meanwhile New England Telephone & Telegraph is reported contemplating $70,000,000 of new financing for acquisition of new properties and equipment. This undertaking may involve a combination of bonds and stock.

Trend Away From Refundings

The trend away from refunding operations coincident with the slight firming of basic money rates became apparent midway through 1946, but it remained for the recent report issued by SEC to disclose just how well-defined that tendency had become by the year-end.

The Commission's report disclosed that refundings which bulked large in the preceding year were definitely on a downtrend when the year closed.

A recapitulation of 1946 new offerings showed that "new money" issues mounted to the $3,000,000,000 level, just about tripling the total for the same type of issues in 1945 and approximating the peaks of the flourishing 1920's.

Refunding by contrast tapered off to around $2,700,000,000 for both long and short-term debts as against the $4,300,000,000 peak set in the previous year.

Last year's trend has been continued thus far in 1947, as shown by figures compiled by the "Chronicle" and published in the issue of March 17, page 1448.

Halsey Stuart Offers B. & O. Equipment Issue

Halsey, Stuart & Co. Inc. and associates won the award Wednesday of $5,650,000 Baltimore & Ohio RR. equipment trust, series T, 1⅞% equipment trust certificates, and immediately re-offered them, subject to Interstate Commerce Commission authorization, at prices to yield from 1.10% to 2.15%.

The certificates, issued under the Philadelphia plan, mature $565,000 annually April 1, 1948 to 1957, inclusive, and will be unconditionally guaranteed as to the payment of principal and dividends by endorsement by The Baltimore & Ohio RR.

Proceeds from the sale of the certificates will be used to provide for not more than 80% of the cost, estimated at $7,073,720, of new standard-gauge railroad equipment consisting of 2,000 open-top steel hopper cars.

Deflation in Britain?

(Continued from page 1660)

the possibility of wage cuts. The first step to that end would be the creation of unemployment through a deflationary credit policy. Possibly it is this that the deflationists have in mind.

It is, of course, technically possible to bring the scarcity of labor to an end by means of credit restrictions which would compel a number of firms to close down, or at any rate to reduce their activities. This course is advocated on the ground of the time-honored deflationist argument that a number of uneconomical and inefficient firms which can only exist under inflationary conditions would be eliminated, and the labor they employ would become available for more economical use. The trouble is that a large number of firms, whether efficient or otherwise, have become very liquid since 1939, and do not depend on banking credits to any large degree. A deflationary drive would not result in, therefore, the survival of the fittest, but the survival of the liquidest. Many of the inefficient firms would have the resources to carry on without banking credits, while some of the efficient firms would close down for lack of liquid resources.

The Government intends to tackle the problem in a different way. Instead of taking a leap in the dark by applying indiscriminate credit restrictions, it intends to employ emergency powers for stopping the use of labor for uneconomic purposes. This is a departure from the original labor policy under which the Government is to control key industries but is to leave secondary industries to private initiative. It is now evident that secondary industries employ between them a far too large proportion of labor. In order to make labor available for the requirements of the textile industry which is desperately short of labor, the Government intends to restrict employment in luxury trades and other secondary trades. The result is expected to be an increase of the output of essential goods. This would go a long way towards correcting the disequilibrium between the volume of purchasing power and that of purchasable goods, without any credit deflation which would be in any case politically impossible.

But even if a deflationary policy were ideal and practicable from an economic point of view, it would be suicidal for the Government to adopt it. Discontent among the working classes would swell the ranks of the Communist Party. For this reason alone, deflation is not likely to be resorted to as a deliberate policy even though it might possibly develop of its own accord.

Sterling Convertibility In July Anticipated

(Continued from page 1653)

other currency. In exchange for this British concession the three countries agree to accept sterling when offered by other countries in settlement of balances of trade.

Only Portugal, however, has agreed with Britain to make its currency convertible on a multilateral basis. It will be recalled that there was in Britain a good deal of complaint over that feature of the American loan agreement which required Britain to shorten from a minimum of five years—as provided in the Bretton Woods Fund agreement—to one year the transition period during which the country might retain restrictions on current exchange transactions. What Britain seeks is to get other countries, also, to voluntarily shorten the Fund transition period. It may be taken for granted that Britain, in revising some of its existing bilateral monetary agreements, will not overlook any opportunity to make currency convertibility multilateral.

The problem of blocked sterling assumes its largest dimensions in the cases of India, Egypt and Iraq, where British forces operated in the war. Whereas the accumulated amounts in the cases of Belgium, Netherlands and Portugal were small enough not to impede reaching an agreement covering both old and future balances, in the cases of the Middle Eastern countries a distinction will have to be made. In that part of the world, the progress to date in achieving a settlement, judging from press and other reports, seems negligible. About all that can be stated with assurance is that each party has set forth its position, and each position appears adamant. The British cannot pay off the sterling balances accumulated during the war, and the owners of those balances show no willingness to cancel a substantial part of the balances or to leave them indefinitely impounded. Rather, they are insisting upon annual paying off of the sums accumulated in London at rates which the British cannot afford without disaster to the home economy.

Unless progress in this matter is greatly speeded up, Britain's deadline, resulting from the American loan agreement, will pass without the hoped for settlement of this vexing problem.

Settlement With India Expected In May

In May at London, British-Indian negotiation of the settlement of India's blocked sterling will enter its second phase. It is believed that on that occasion a settlement will be reached. The total of India's sterling balances is 1.2 billion pounds. Of this sum, about three hundred million pounds will have to be retained in London as India's overseas currency reserve. Not more than two hundred million pounds is likely to be made fully convertible. Probably the figure will be less.

This will leave about seven hundred million pounds for disposal in the two additional ways indicated in the Anglo-American Loan Agreement. One of those ways, cancellation of part of the balances, is not likely to be used. Instead, the whole of the remainder of seven hundred million pounds or so is expected to be funded over a long period at 2% interest, and there will probably be an interest-waiver clause similar to the interest-waiver clause in the Anglo-American Loan Agreement.

Thus there will be no outright cancellation or writing off. Although the effect of the long-term funding and of the low interest may be the same as partial cancellation.

D. Raymond Kenney Remains at de Willers

In the "Financial Chronicle" of March 20, it was reported that D. Raymond Kenney was forming his own investment firm. This is not the case, Mr. Kenney having rejoined the staff of C. E. de Willers & Co., 120 Broadway, New York City, with which firm he had previously been associated.

D. Raymond Kenney

No. of RR. Employees Reduced to 1,324,837

Employees of Class I railroads of the United States, as of the middle of February 1947, totaled 1,324,837, a decrease of 2.97% compared with the corresponding month in 1946, and 0.69% under January 1947, according to a report issued by the Bureau of Transport Economics and Statistics of the Interstate Commerce Commission.

A decline under February 1946 is shown in the number of every reporting group with the exception of executives, officials, and staff assistants, which shows an increase of 0.21%.

Investor Being Served Better Today Than Previously

The investing public is being served better today than at any time in the past because brokers and investment bankers are recognizing their obligation to train entrants into the investment fields in the fundamentals of the business, Charles B. Harding, senior partner in the investment banking firm of Smith, Barney & Co. and a former Chairman of the Board of Governors of the New York Stock Exchange, said yesterday.

Charles B. Harding

Emphasizing the complexity of the investment business, Mr. Harding said that "the serious mistakes possible in the trial and error method of acquiring the experience necessary for the intelligent management of investment funds are being avoided through specialized training programs."

In this connection, he continued, Smith, Barney & Co., on July 1, will inaugurate its latest employee training class under the educational program re-established by the firm in 1945.

"The primary purpose of a good training course is to make available to young entrants into the investment profession the accumulated experience of experts who have spent a lifetime learning the business. Profiting by the experience of specialists in the various branches of investment banking, the youth entering the field can by-pass many of the investment pitfalls confronting him," Mr. Harding said.

"Although there has been great improvement in the last ten years, there is still a great deal to be done by the financial community in training employees for the job of handling the funds of investors. This has been recognized by both the Investment Banking Association and the Association of Stock Exchange Firms and both groups have been and are active in developing new and better educational programs. However, no program will be completely successful until more of the member firms recognize their responsibilities in this field and set up active long-range training facilities."

Each Smith, Barney training class is restricted to five members because, Mr. Harding said, "it is not possible to give the careful attention necessary to the training of a larger number." The program includes both academic work and practical on-the-job training, with each trainee taking, at the expense of the firm, specified courses at such institutions as Columbia University, New York University and N. Y. Institute of Finance. Trainees receive adequate compensation based on age, education, experience (military or civilian), and dependency status.

The program is divided into three parts: (a) an introductory, or orientation course of 20 weeks; (b) a major course of 30 weeks, and (c) a period of apprenticeship of 24 weeks. Trainees are rotated through all departments of the firm, to acquaint them with all phases of the business; and to provide the trainee and the firm with an experience upon which to determine the eventual field of specialization for which the individual is best suited.

The orientation course introduces the trainee to all departments of the firm and gives him a general idea of the various functions of the investment banking business. One to two weeks are spent in each of 11 departments.

During the major course the trainee learns more of the details and practical side of the main departments of the firm, working in the principal departments for periods ranging from three to six weeks.

In the final course—the apprenticeship period—each trainee concentrates solely on the one department best suited to his talents.

N. Y. Mediation Board Mediating, So Far Without Success, in UFE-A. M. Kidder Dispute

(Continued from page 1650)

intends now to use the strike weapon, if, in its opinion, it must use it at all, to settle at one fell swoop, all its arguments with the brokerage industry wherever such arguments exist. The union thinks it has inherited the old AFL struggle against Bache & Co. of six years ago and say it will seek the contract with this firm that the employees have wanted all this time. The union intends also to get Harris, Upham & Co., against which it has filed charges of unfair labor practice after losing a State Labor Board election last fall among its employees, to sign on the dotted line. The union says likewise it intends to get White, Weld & Co. to reinstate the nine employees, all members of the union, whom it dismissed the day before the union was going to ask the State Labor Board for an election to determine collective bargaining agent for the employees of that firm and obtain a contract with that firm besides.

It would seen that in taking on these other disputes along with the A. M. Kidder & Co. argument, the union is spreading its energies out rather thinly. In fact, it seems incredible to many that the union should even think of provoking or renewing its fight with these other firms when it can not be at all sure it has the majority of the employees of these firms with it and when it han't been able to make much headway with just a single firm, A. M. Kidder & Co. The union, however, says it will prove its strength on the picket line.

David Keefe, President of the union, is back on the scene again after attending the convention of the parent body, the Office Employees' International Union, at Chicago, last week. He claims that the AFL generally, particularly William Green, its National President, will give the union all kinds of support in the event the strike that looms on the horizon does actually take place.

At the convention, Mr. Green said "I consider the refusal of the New York Stock Exchange employers group to accept the arbitration offer of the union as justification for a strike." Emil Schram, President of the NYSE immediately sent a wire to Mr. Green, pointing out that obviously "you ... have been misinformed as to the facts. The New York Stock Exchange is not involved in any way in any dispute with its employees over arbitration or anything else. The officials of the union asked me to intercede in a disagreement between the union and a member firm involving the salaries of the employees of that firm. Contracts over the last four years between the Exchange and the union were arrived at through the bargaining process. I believe in this process but it is not the function of the Exchange to inject itself into a negotiation being conducted between the union and another employer. More than six hundred firms, many of them doing business through their offices in all parts of the United States, hold membership in the New York Stock Exchange." Mr. Keefe, however, says that Mr. Green understands the issues of the struggle against A. M. Kidder & Co. very well. Mr. Green has not yet replied to Mr. Schram's telegram.

The shown down for industry-wide bargaining in Wall Street may come just when Congress is debating with some heat the merits of industry-wide labor agreements of any kind. It is known the union would like to have all contracts with Wall Street Exchanges and brokerage houses end at the same time since then it could make full use of such powers at it may have anywhere on the "Street" to force employer compliance to its terms. If the union is successful in the A. M. Kidder & Co. case—and to be successful it must obviously overcome the full resistance of all elements of the industry which it is provoking to action—the brokerage industry is faced with the alternative of facing the possibility of a strike at the Exchange every time there is an AFL labor dispute anywhere on the "Street."

In a statement on the cancellation by the union of its contract with the New York Curb Exchange, F. A. Truslow, President of the Curb, said, in part, "If it is a desirable thing to compel arbitration in all cases where employees have elected a union to represent them and the union is unsuccessful in accomplishing its purposes by collective bargainig then this principle should be established in the law. But it is our judgement that compulsory arbitration of all disputes would ultimately substitute arbitration for collective bargaining."

January Steel Payroll Sets New High Record

Reflecting the high rate of steel activity, the January payroll of wage earners and salaried workers in the iron and steel industry established a record at $155,778,000, which exceeded even the wartime monthly high mark of $154,976,700 paid in March 1945, according to the American Iron and Steel Institute, which further announced:

In December 1946, when the coal strike affected the iron and steel industry, the total payroll was $137,216,500.

During January, average hourly earnings of the industry's hourly, piecework and tonnage workers was 137.4 cents per hour, a record, compared with the full-year average hourly rate of 134.7 cents received during 1946. The wage earners worked an average of 40.4 hours per week during January, compared with 35.7 hours weekly worked during December 1946.

Total employment in the industry during January was the highest level since 1943. Average number of employees during that month totaled 601,200, of which 512,600 were wage earners and 88,600 were salaried workers.

Pending N. Y. State Baby SEC Law

(Continued from page 1647)

selling or dealing in any stock, bond or security listed on the New York Stock Exchange."

It provides generous patronage for the Governor by setting up a securities control department of five (5) members all of whom shall be citizens and residents of the State of New York, and appointed by the Governor.

Besides being invested with the power to grant and revoke licenses, this Board is authorized: "To adopt rules and regulations for the supervision and regulation of persons buying, selling or otherwise dealing in stocks, bonds or securities.

"To carry on by its agents or employees inspections of any premises where stocks, bonds or securities are bought, sold or dealt in.

"To prescribe forms of applications for licenses under the law and of all periodic reports which they deem necessary to be made by any licensee.

"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."

License fees are fixed at the sum of $500 per year.

From the features of the proposed bill already quoted, it will be seen that it is the intention behind this legislation for the State of New York to go into the field of securities regulation on a portentous scale.

In dealing with the subject of revocation of licenses, such revocation is made mandatory for various causes, one of which reads as follows:

> "Misrepresentation, either as to the financial worth, merits, value or price of any stock, bond or other security."

When it is recalled how frequently over-zealous prosecutors produce from disconsolate purchasers alleged misrepresentations which were never made in fact, the danger in all of this can be readily appreciated.

The Act provides that proceedings to review any action by the Board shall be brought in the Third Department.

The Third Department normally encompasses the counties of Albany, Columbia, Greene, Rensselaer, Schoharie, Sullivan and Ulster.

The chief center of the State with respect to financial activities is, of course, New York City.

What significance may be attached to this Appellate provision you may judge.

On the whole, what should be the public reaction to this piece of prospective legislation?

In making our estimate we will leave out such legal considerations as the danger that such a law would be a burden upon interstate commerce, even though its intentions may be wholly intrastate, and that, therefore, the statute itself may have certain constitutional objections.

We make the point that this bill is contrary to our whole philosophy of government.

Let us for a moment examine the reaction to the Securities and Exchange Commission, legislated into being in a so-called emergency and having national jurisdiction.

Mature judgment on the existence and activities of the SEC has found that these are not an unmixed blessing. The results of such activities have left the securities industry hamstrung and over-regulated, saddled with an alien philosophy on "spreads," threatened with disclosure rules that would interfere with the free flow of venture capital and further threatened with rules, regulations and legislation upon the alleged theory of equalization that would modify the essential characteristics established by custom and usage of the over-the-counter and Curb markets.

There is considerable sentiment for the abolition of the Securities and Exchange Commission.

The emergency which was used as a basis for its birth has ceased to exist and many urge that the termination of the evil required a termination of the remedy.

The SEC itself must realize the prevalence of considerable such sentiment and must further be aware of the general contention that the national Republican legislative victory is largely considered a mandate for reversion to government by law rather than the continuance of government by men.

Recent expressions by members of the SEC that they are striving for simplification and the easing of regulation, we believe to be a reaction to the "kick out the SEC" sentiment.

As we see it, when the NASD as the hand maiden of the SEC evolved a philosophy of spreads which in substance the latter approved on review, both the SEC and the NASD formed one of the links in the chain of their combined demise.

This un-American doctrine, completely out of step with our times, this attempt to dictate prices, was and is a badge of shame which has been and will be worn by the SEC and the NASD during the term of their existence.

With these regulatory bodies in effect promising restraints and a return to our constitutional form of government, Assemblyman Clancy introduces this disgraceful bill which for New York State policy represents a complete turn-about.

It is not without significance that this bill should be pending in the Legislature at a time when the Attorney General of the State of New York is conducting an inquisition among upstate over-the-counter security dealers through the medium of a so-called "general questionnaire."

Who are Assemblyman Clancy's collaborators? Whence comes the "inspiration" that induced him to introduce a skeleton bill in haste and then to come up with an amendment of patronage, ill-considered regulation and fettering power?

Is Assemblyman Clancy the sole sponsor of the legislation or, if he is not, who are the others?

It seems so incredible to us that at times such as these, when the cry of the securities field is against further regulation, when the promise is a return to our constitutional form of government and our American way of life, anyone using common sense and being even moderately grounded in the history of securities transactions would sponsor a bill such as this.

It deserves and should receive ignominious decease and the public as well as those in the securities field should unite to bring this decease about.

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