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Needed—A Tax Structure to Restore Incentives

By E. M. VOORHEES*

Chairman, Finance Committee, U. S. Steel Corporation

Prominent industrialist urges tax structure which will restore incentives to industrial progress. Decries false notion current volume of employment means incentives are no longer necessary and incentive-destroying taxes should be maintained as anti-inflation measure. Says opportunity is now offered to substitute profit incentive for the printing and spending money as way to maintain employment.

I am a director of the United States Steel Corporation, and Chairman of its Finance Committee. Occupying that position, I know that the welfare of the United States Steel Corporation is intimately associated with and dependent upon the general welfare of the United States. What is good for the country as a whole is good for U. S. Steel and the people associated with it as customers, employees and owners. Only as the nation prospers can U. S. Steel expect to prosper. I speak to you as a citizen rather than as an official of United States Steel. But I would like to note that what I have to say, as a citizen, is the same as what I would say as an official of U. S. Steel for the reason I have just disclosed. I am

Enders M. Voorhees

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*Statement of Mr. Voorhees before the Senate Finance Committee, Washington, D. C., May 2, 1947.

The Business Outlook

By SUMNER H. SLICHTER

Lamont University Professor, Harvard University

Prominent economist analyzes principal reasons given for expecting a business recession and contends no single one or all necessarily will produce appreciable decline in production and employment. Foresees as possibilities: (1) a rapid increase in supply of finished goods relative to income and severe lowering of prices; (2) moderate increase in goods, with slow and moderate decline in prices; and (3) a restoration of normal balance of production and inventories without price changes. Concludes, of these three possibilities, the second—a slow and orderly decline in prices—is most likely.

I

For some months an increasing number of economists and businessmen have been predicting a business recession or correction in the near future. Some forecasts predict a correction or recession beginning in the first half of 1947; some in the second half; some in 1948. Almost no one predicts that the expected recession will be severe, but some forecasters expect unemployment to exceed 6 million or 7 million and predict that wholesale prices will drop as much as 15 or 20%.

Prof. S. H. Slichter

Five principal reasons are given for expecting a correction or recession: (1) the prospective end of inventory accumulation; (2) the increase in the supply of finished goods as a result of the establishment of normal balance between the various stages of production; (3) a drop in the importance attached by individuals to goods relative to money; (4) prospective corrections in the price structure; (5) conditions which are unfavorable to construction and to the execution of long-range business plans.

(1) **The Prospective End of Inventory Accumulation:** A substantial part of the product of industry has been going into inventories. During the late summer and fall of 1946, the physical growth of inventories, according to the estimates of the Department of Commerce, was at the rate of nearly $10 billion a year. The increase in inventories obviously cannot go on indefinitely. When it ceases, finished goods may become more abundant relative to incomes. Some forecasters expect that the result will be a serious weakening of prices and that this will induce postponement of buying and a drop in production and employment.

(2) **The Establishment of Normal Balance Between the Various Stages of Production:** The output of finished goods has been low relative to total output because

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Hartley Assails AFL Stand on Labor Bill

Chairman of House Committee on Education and Labor, answering attack on House-approved labor bill, tells "Chronicle" measure does not prohibit free bargaining by free men and will not promote Communism.

(Special to THE FINANCIAL CHRONICLE)

WASHINGTON, D. C.—Asked for his reaction to the advertisement widely published in the nation's press by the American Federation of Labor, in which it was contended that the recently House-approved labor relations bill would prohibit "free bargaining by free men and promote Communism," Rep. Fred A. Hartley, Jr. (R.-N. J.), Chairman of the House Committee on Education and Labor, told the "Chronicle" that "a conspiracy to misinform the public appears to have developed in connection with pending labor legislation in Congress."

Fred A. Hartley, Jr.

"The CIO, two weeks ago," Congressman Hartley added, "swarmed over Capitol Hill, and now the American Federation of Labor claims to be spending a million and a half dollars in newspaper advertising." Continuing, he said: "I regret that funds are not available to the House Committee on Education and Labor for the publicizing of the Workers' Bill of Rights, which the House passed by a vote of 308 to 107. We will depend on the integrity of the press and radio news channels.

"Mr. Green's organization says it has assessed its members 15 cents each to pay for this public-

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Pictures of Denver Bond Club bowling party on page 27; of Pittsburgh Security Traders Association's first annual outing on pages 28, 29 and 30.

Wage Adjustments, Down and Up, Could Mitigate Depressions' Evils

By ELISHA M. FRIEDMAN
Consulting Economist.

Mr. Friedman asserts that rigid wages, with declining selling prices, will accelerate, aggravate and prolong the next depression. Flexible wage rates would facilitate adjustment of costs to selling prices, avoiding threat of bankruptcy and wide-spread unemployment. Such adjustment would reduce fluctuation in plant expansion, industrial activity and credit, thus stabilizing employment and benefiting workers themselves. Asserts that organized labor's present policy is "heads I win, tails you lose." Urges that we learn by foresight not by suffering.

The current second series of wage increases to organized labor are loudly praised by union leaders. However, consumers are not approving. Many are protesting the increase in costs by not buying. Nor are industrial managers approving. But they remain silent. Though they are aware of the peril to the community in such wage increases, they dare not speak for fear of being denounced as anti-labor. However, these new increases in cost will aggravate the next recession whenever it comes.

Elisha M. Friedman

Government officials already express concern about a decline in business. A downturn in the business is forecast because increasing economic disequilibrium calls for correction. There is disparity in income of the various groups in the community. **Farmers and organized labor have the highest income in history. Persons with fixed incomes find their purchasing power shrinking.** But food purchases cannot be deferred, therefore less income remains for non-food items. Consumers cannot buy both now. The causes of the disequilibrium are errors committed chiefly by the government and by labor, and in part by business.

What business executive protested against a permanent rise in wage rates because it threatens to accelerate, aggravate and prolong the next depression? What business executive suggested, as an alternative, either a sliding scale of wages or temporary cost-of-living bonuses, in effect in many municipalities?

Business made the error of pressing for the abolition of rationing and price control. When demand is huge and the supply is short, rationing is essential. Small changes in demand or supply create great changes in prices. Canada retained rationing and

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Commercial Lending vs. Consumer Credit

By GEORGE M. CLARK and CLYDE W. PHELPS*

After reviewing relative importance of commercial loans and consumer credits and analyzing nature, characteristics and cost of each credit category, authors conclude commercial bankers would make as much or more money by intensively cultivating commercial loans as by entering consumer loan business.

The subject of consumer credit is receiving so much attention and emphasis from commercial bankers that a sober survey of the size of the field and its peculiarities is in order. Statistics published in the "Federal Reserve Bulletin" show total consumer credit outstanding at the end of 1941 (the prewar peak year) as 9.9 billion dollars. A breakdown of this total reveals $1,764,000,000 in charge accounts, which portion was carried by stores with their own funds, or possibly with the help of commercial loans. Single-payment loans, carried largely by commercial banks in the form of 30, 60, and 90-day loans to those in the consumer classification, amounted to $1,601,000,000. Some $610,000,000 was in accounts owed to doctors, dentists, and service organizations.

George M. Clark

Dr. C. Wm. Phelps

About $1,802,000,000 was represented by instalment sales of department, furniture, jewelry, and other stores. Some of this last total ($1,802,000,000) was discounted by financial organizations, but the vast majority of it was handled by the stores with their own funds or with the assistance of commercial loans.

The remaining $4,122,000,000—what commercial bankers have in mind when they think of consumer credit—was divided between $1,942,000,000 as instalment credit on automobiles and $2,180,-

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*Mr. Clark, is President of the Pioneer Bank, Chattanooga, Tennessee, Dr. Phelps is Professor of Economics of the University of Southern California.

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War's Aftermath And The Stock Market

By MAXWELL B. ROBERTS
Research Department, Otto Fuerst & Co.

Market analyst reviews developments since war and makes comparison with events following World War I. Points out accumulated needs of world are infinitely greater now than at any other time, and concludes, considering longer term outlook, there are excellent chances stocks will go much higher.

There have been many prognostications of what the post World War II period was going to be—some compared it with the period after World War I, 1923, 1937, and all stops in between. Our personal opinion is that, despite various divergencies in actual conditions, there is a general pattern of economic factors at work right now which is very similar to the period after the first war.

Maxwell B. Roberts

A nation which is forced, by dint of circumstances, to wage a war must go through such a metamorphosis from a peace economy to that of fighting, that certain maladjustments are bound to occur in the transition. Then, finally, when the war is over, and that nation must get back to what is generally called "normalcy," there is again a period of confusion and uncertainty. But in the two periods certain psychological and basic economic factors are very much the same. To mention only a few of the similarities, we would even mention the war itself—the wholesale destruction of men and money. Thus our debt at the end of each war was many times what it was at the beginning, and the multiplier is almost identical. Since armies must move "on their bellies," all types of commodities were needed in such huge quantities, that very little was left for people to buy. Since the worker had to be encouraged to work harder, he was given more money. The more he got, the more he could afford to purchase. Toward the end of the hostilities, it was a mad scramble to acquire things. In spite of this there was comparatively little to buy. Prices of all things, therefore, and especially of foods, skyrocketed. The higher prices went,

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Prospective Tax Changes Of Particular Interest to Banks

By JOHN W. DRYE, JR.*
Rathbone, Perry, Kelley and Drye

Tax attorney outlines proposed reforms in corporation and other taxes affecting banks. Sees need for reduced corporate taxes and elimination of double-taxation of corporations. Calls for clarification, as regards banks, of penalty tax on retained earnings above 70% and interpretation of capital gains and losses. Discusses tax problems involved in accounting for bad debts and employees pension provisions.

The topic assigned to me promises more of interest than I fear I can deliver. The tax reduction bill for individuals has preempted the stage for the moment and the controversy it has provoked has delayed the consideration of the general tax law revision program originally scheduled for this Spring. It is expected, however, that attention will be focused before the end of the year on the many sections of the Code that should be amended if our tax laws are to operate more equitably in the complex economy for which they were designed.

John W. Drye, Jr.

There is abroad in the land the impression that corporations (and of course banks are generally subject to the same taxes as other corporations) must wait until next year for any further rate relief. Corporations had their day in 1945, when Congress granted them substantial benefits. Now is the time to equalize things, it is thought, to give the individual a chance to advance his case. Taking advantage of this situation, interested organizations and individuals have deluged the Treasury and the Joint Committee on Internal Revenue Taxation with suggestions, in which individuals, estates and trusts have a vital interest. This does not mean, of course, that there are not problems of banks, as of corporations in general, that are being considered,

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*An address by Mr. Drye before the National Association of Bank Auditors and Comptrollers, New York City, April 21, 1947.

What Is the International Bank?

By ROBERT L. GARNER*
Vice-President, International Bank for Reconstruction and Development

Official of International Bank points out need for this institution as aid in world economic recovery and says Bank looks to savings banks for funds. Reveals Bank's cash resources do not exceed $725 millions, bulk of which comes from U. S. Stresses Bank will limit itself to making only productive loans under adequate restrictions and control and cites how Bank could have saved U. S. investors from severe losses on foreign loans after World War I.

The United States has fought two World Wars within one generation. Therefore, it seems unnecessary to argue that the people of this country have a vital interest in what happens in other parts of the world. Before this audience I shall take that for granted.

Robert L. Garner

I need not dwell on the effectiveness of this country in both wars. Its productive and organizing power, supporting the fighting qualities of its own troops and those of its allies assured the victory.

Now the same strength, the product of private enterprise and initiative working within a political system of free men, is equally needed to enable the world to get back on its feet.

Built up instead of damaged by war, the productive resources of the United States are incomparably greater than those of any other country. Because of this unique position, the United States is able to take the lead in the financing necessary to restore the production and trade of the world.

But there is a further question frequently posed, is it to America's interest? A full discussion of this subject would lead beyond the limits of my time with you today. However, it is my own deep conviction that the revival of production and the increase of trade throughout the world is essential to the welfare and security of this country. As the richest nation, it has the greatest stake in general prosperity; the most to lose from disintegration and despair.

But can the job be done? Can the World recover or will the loans by the United States and others be futile?

Certainly the road upward will not be easy. But everywhere there are stout people who are working hard to build better lives for themselves. There has been noteworthy progress in restoring shattered transportation, in increasing the output of coal and other vital materials in getting damaged factories back to work.

However, there is urgent need for more coal, steel, concrete; for all types of machines and equipment; for fertilizers, seed, breeding stock; for raw materials to supply the factories; for the many things which are available only outside the national borders. Buying them requires foreign currencies, particularly dollars.

To meet, in part, this need the International Bank was organized. This institution, in which the United States Government is the largest stockholder, represents a cooperative effort of 44 member countries to supply loans for productive purposes—to buy essential goods such as those I have mentioned above.

The Charter of the Bank was written at Bretton Woods and authorized by the Congress of the United States and by the governments of all the other member nations. It provides that all loans made by the Bank shall be for rebuilding and modernizing war damaged economies, supplying essential materials and developing the resources of its member countries. Its operations will be directed solely to stimulating production and commerce.

Wants Savings Banks to Supply Funds

You in this audience control billions of dollars of the savings of millions of Americans. We in the International Bank look to you savings bankers as one of the principal sources from which we hope to secure funds to carry on

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*An address by Mr. Garner at the Annual Meeting of the National Association of Mutual Savings Banks, Boston, Mass., May 6, 1947.

BUSINESS BUZZ

"It Looks to Me, Van Twit, as Though You've Been Spending Too Much Time in Our Frozen Assets!"

Past Record Makes Education Prerequisite for Foreign Loans

By DR. MAX WINKLER

Recalling American public's losses resulting from heavy speculation in foreign bonds and currencies after First World War, Dr. Winkler holds intensive "education" is now prerequisite to successful flotation of imminent credits. With one-fifth of outstanding bonds now in some default, coupled with acute political tension, investor enthusiasm is doubted.

It will be recalled that immediately after the First World War, the American public speculated heavily in the bonds and currencies of foreign countries, particularly Germany. The lower the mark declined from its prewar parity of M 4.20, equal $1, the more eagerly Americans purchased vast quantities of currency as well as bonds payable in marks. Between the cessation of hostilities and the stabilization of the mark, Americans are estimated to have lost $2½ billion in these speculative activities. Since Germany could be rehabilitated only with foreign, that is, American aid, something had to be done to remove the experience incident upon the losses sustained by Americans and to remove the effects thereof. The highly favorable stories which were making their appearance in the press and elsewhere are well remembered. They achieved results. The first loan issued on behalf of Germany to the tune of $110 million (the so-called Dawes Loan) was a huge success. So much so that Germany could soon thereafter launch a gigantic borrowing campaign in the United States running into the hundreds of millions of dollars. Today, more than half a billion of German government, state, city and corporate loans are in complete default. As a matter of fact, the default occurred long before the establishment of the Third Reich under the Nazis.

Dr. Max Winkler

Specific Service Records

Out of more than $1¼ billion of European bonds outstanding, only $142,043,300 are being fully serviced, or about 11.34% of the total. In other words, for every $100 of bonds outstanding, only $11.34 are receiving interest and amortization. Bonds coming within this category include those of the Kingdom of Belgium. In passing, it may be pointed out that while the direct Belgian issues have been serviced faithfully throughout their life, payment was suspended on bonds of the City of Antwerp at the outbreak of the War and accumulations were discharged only recently. Full service has also been maintained by Finland, France, the Irish Free State, and the Kingdom of Nor-

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Washington . . . And You

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

The political pattern of tax reduction has taken shape about as expected with the one important exception of the Presidential veto. There's still nothing publicly positive about that. Otherwise, Republican and Democratic policy makers in Congress have made their strategy apparent.

* * *

Republicans would (1) cut personal income taxes immediately and thereby fulfill their last election pledge, and (2) next year prepare for the 1948 Presidential election by passing a general tax revision bill lightening the load on both business and individuals. Democrats would (1) blockade the current tax bill and thereby prevent Republicans from honoring their last November promise, and (2) have President Truman next January recommend general tax revision legislation and thereafter claim Democratic credit for its enactment.

* * *

That's the topflight strategy, but both camps would like words from the President whether he's to ride the Elephant or the Donkey on this political issue.

* * *

Bankers making loans on canned goods may be displeased with a Census Bureau decision to save money by re-tailoring its collection and publication of monthly statistics. The Bureau will (1) abandon monthly reports on canned fruit and vegetable production and stocks, and (2) sharply curtail its review of wholesalers' canned food stocks. Items covered by the latter will be reduced from 50 to about 20.

* * *

Federal Power Commission is striving to avoid Congressional harness by concessions and pleas for postponement. The agency has voluntarily curbed its end controls over natural gas, is urging Congress to delay action on legislative curbs until the FPC report on the natural gas industry has been filed. But here the strategists blundered. They told the House Commerce Committee the report wouldn't be ready for six months, shortly thereafter promised the Senate Commerce Committee it could be completed by July 1.

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Observations . . . .

By A. WILFRED MAY

REALISM ABOUT DOLLARS

We Cannot Play Both Uncle Santa and Uncle Shylock

Interrupting a barrage of questions concerning his reaction to Babe Ruth, his dining schedule, etc., put to President Aleman at a press conference here, this columnist presumed to ask Mexico's Chief Executive certain questions concerning the servicing of his country's contemplated loans. "In addition to tourists' spendings, by which exports does Mexico expect to secure enough additional foreign exchange to service the interest and principal on $384 millions of requested loans?" — a question asked in entire good faith—brought forth a lengthy response which seemed to typify—even on the part of so high an authority—widespread misconception of the realities regarding international debtor responsibilities.

A. Wilfred May

For President Aleman quite happily proceeded to elaborate in great detail the projects on which the loan's proceeds could and would be spent. Plans are ready to expend large sums for vast irrigation projects; for increases in electric power capacity; perhaps even for a replica of TVA in Papaloapan (toward which end his itinerary included a stop-off for a Tennessee glimpse)—all s no doubt worthy and needed improvements, but producing internal rather than external income. He spoke of vast industrial expansion; of building-up the coal production in Oaxaca; of port repair plans in Vera Cruz, Tampico, Travasco, and Manzanillo; large sums of money having already been appropriated for new wharves. Irrespective of fruition of plans for a possible canal, a giant interoceanic highway definitely will be constructed from the Gulf to the Pacific. In the concept of the President, "value will be returned," in irrigation projects, for example, "through the increased value of the land irrigated." But it must be asked, "value returned *to whom?*" To the Export-Import Bank in Washington and to the World Bank *in dollars?*

This query seems to be justified by the World Bank rules provision that its loans are not to be used to pay for domestic materials or labor.

President Aleman took great pains to emphasize Mexico's "flourishing" *internal* economic and financial condition. Wholly true, no

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Income Payments Continue at Peak

WASHINGTON, May 7 (Special to the "Chronicle")—Commerce Department announces March income payments to individuals were $14,613,000,000, thus continuing at the peak level of January-February.

George H. Cutter Forms Own Investment Firm

George H. Cutter has formed G. H. Sutter Co., with offices at 30 Broad Street, New York City, to engage in the securities business. Mr. Cutter was formerly a partner in Reed & Cutter.

American Business Outlook Under Truman Doctrine

By A. W. ZELOMEK*

Economist, International Statistical Bureau, & Fairchild Publications

Economist foresees our future unwillingness to provide dollars to foreigners sufficient to sustain our 1946 level of exports; but maintains foreign trade is relatively unimportant component of our total business activity. Believes wholesale prices reached their peak last March, and will decline by at least 20% by March, 1948. Predicts for long-term future increases over prewar of 60% for production and 40% for prices.

It is becoming evident that the first sharp expansion in domestic business activity has slowed down, if indeed it has not already begun to reverse itself.

A. W. Zelomek

Can continued high exports, or a further gain in exports, prevent a decline in business activity later this year? Or if not prevent it at least minimize it, so that the readjustments will not be very painful?

In the last few months there have been some exceedingly hopeful answers to these questions. If this optimism is justified, we should know it. If it is not justified, then it is high time we are finding it out.

Optimism is based mainly on the statement that the United States is now embarking on world leadership, that this will be backed by unprecedented loans.

What is our new foreign policy? Has it been fully accepted? What does it imply in the way of loans, grants and gifts?

So far I have not seen any very complete answers to these important questions. They have been discussed by many financial writers, and trade writers, and

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*A talk by Mr. Zelomek before Annual Eastern Seaboard Meeting of the National Beer Wholesalers Association of America, Atlantic City, N. J., May 5, 1947.

Depression Fears Unwarranted

By T. RUSS HILL*

President, Martin-Parry Corporation

Mr. Hill condemns pessimistic forecasts and economic defeatism. Says present conditions are no parallel to those of 1920, and courage instead of ghost hunting is now required to defend American system at home and abroad. Lays present economic distortions to faulty taxation, money manipulation and labor monopoly. Holds drastic labor laws will not be effective unless backed up by will of the people.

Since the war the nation has experienced a discord beyond a normal expectancy for such a period. The people have turned from fighting their enemies to quarreling among themselves and with their friends. The heroism of sacrifice which characterized the war effort has been choked out by the grasping of greed. The workers who were fused by fear are engaged in conflicts of hate. There are ample evidences of the abuse of power by labor and by management, while power politics has reached a new high or a new low according to the point of view. Wages and prices have played an exaggerated game of leap frog, spiralling into a war of nerves under the threat of economic revolution.

T. Russ Hill

These and other eruptions of the period have jangled the people into a sense of insecurity, and filled them with forebodings for their futures. In many important quarters a "What's the use" attitude prevails. This uneasiness is fanned by the evident agreement of the leading economists that we are in a boom spiral which will turn into a depression by middle

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*From an address by Mr. Hill at the annual dinner of the Southern States Industrial Council, April 30, 1947.

Guy Colvin Now With Hannaford & Talbot

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF. — Guy Colvin and Robert Crawford, Jr., have become associated with Hannaford & Talbot, 519 California Street. Mr. Colvin was formerly with the First California Company and Bankamerica Company. Mr. Crawford was with Isenhour & Co.

Snyder Discusses Such Topics as Britain's Dollar Resources and United States Taxation

Notes on Treasury Secretary's press conferences of May 2 and May 7.

WASHINGTON (Special to the "Chronicle").—At Secretary Snyder's press conference on May 7, he was queried on the subject of Britain's Chancellor of the Exchequer Dalton's recent speech on that country's sterling balances. When asked whether figures were worked out at the time of the British loan negotiations regarding the actual amount by which Britain's sterling indebtedness to other countries would be scaled down, Mr. Snyder said: "I don't think so." As to whether the United States has a policy on the matter, the Secretary replied: "I have not studied the Chancellor's statement. But I don't recall any figure or agreement arrived at. I think the simple question was that they would conduct negotiations with the debtor countries. I think that is about as far as it went."

John W. Snyder

Mr. Snyder added that the United States had supported the thesis that the United Kingdom should negotiate with its creditor countries and make the settlements but that "we didn't discuss how they should do it." Nor was there any such understanding in the Anglo-American lend-lease settlement, Snyder said.

Replying to another question, Secretary Snyder said he knew nothing about any British effort to scale down the loan indebtedness to the United States. Asked whether he would not look favorably upon such negotiations, he answered: "I haven't heard anything about it yet."

As to whether this country would undertake to aid Britain in getting the problem of the sterling balances settled, Snyder merely replied: "We haven't been approached on this program." He disclaimed knowledge of any understanding with Britain to do so.

* * *

Considerable progress is being made in the price adjustment program, Secretary Snyder commented, but he would not venture to guess whether the country is over the peak of inflation, saying: "We are still short of many goods, and as long as we are, there will be pressure of dollars bidding for scarce articles."

The Secretary said he thought that the National Advisory Council has no information at all confirming a report that Egypt has applied to this country for a loan of $88 million.

* * *

In the course of the conference there occurred the following interchange between a reporter and the Secretary:

Q.: "Senator Hawkes said the other day that he thought they ought to have a sort of thermostatic control on margins on the stock market; that it should rise and fall with economic conditions automatically; that it should go between 40% cash and 75% cash; that when the market was high and inflationary pressures were great, the thermostat would be raised automatically to 75%, as it is now."

Secretary Snyder: "I thought the stock market had such a thermostatic control, the heat of interest in the market."

Q.: "The Senator says that the present fixed controls aren't satisfactory; that they have to work out this deal so that it just moves along gradually, and you can tell

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Holland at the Crossroads

By HENDRIK DE LEEUW

Political economist notes Holland's present problems resulting from war havoc, Indonesian loss and partial nationalization of domestic economy. Concludes, however, her ace-high credit rating is fully justified by past record of Dutchmen's determination and ability.

Postwar recovery in the Netherlands has been going on at a slow, if steady pace. And while it is true that sincere and frantic attempts have been made in all directions by the thrifty, enterprising and indomitable Dutch towards their country's postwar rehabilitation, certain elements necessary to achieve that end have been lacking. An analysis of Holland's economic situation shows that these elements, constituting a basis for that country's very existence, are first of all her position vis-a-vis the Netherlands Indies; next, her interests in the United States; and last, her import and export trade, which includes the loss of a formidable trade with Germany; and the domestic financial situation.

Hendrik De Leeuw

Living in constant fear of having to lose, before very long, the greater and richest part of the Netherlands Indies—for well over three hundred years the very pillar of Holland's existence, on which her main wealth is built—it is becoming more and more evident, doubtless even to the die-hard Dutch, that Holland's richest interests in the fabulous Indies are in the balance.

Instead of defending her colonial policy in the United States more effectively and placing her position before the American people by a well-thought-out publicity campaign, to add to her woes she has permitted the Indonesians to steal a march on her. Indonesians have taken advantage of the situation by conducting a well-conducted drive for sympathy and molding American public opinion in favor of their cause, with the result that Indonesia's propagandistic endeavors have been quite effective and successful in America. This, in itself, has harmed Holland's cause no little. This also may have affected Holland's credit position indirectly.

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Favorable Business Factors

Gene Flack reports common agreement by ten economists on 14 positive items that point to high rate of business.

Simplifying a maze of contradictory economic forecasts into 14 favorable points on which economists agree, Gene Flack of New York City, Sales Counsel and Director of Advertising for Sunshine Biscuits, Inc., said in Chicago on May 1 that prospects are good for a rate of business if the nation's selling force gets back on the ball.

Gene Flack

"A confused salesman can't sell anything," Mr. Flack told the national convention of the American Feed Manufacturers Association, "and salesmen, just like the economists and everyone else, are confused today by all the contradictory forecasts of economists. Salesmen just can't afford to remain confused."

In order to help clarify the situation for salesmen, Mr. Flack interviewed and analyzed the forecasts of ten outstanding economists. He sought the positive items on which the economists agreed.

"If we are to maintain our present high level of employment and income and prevent a depression, we must sell the entire output of American industry," he said. "My survey findings indicate a good possibility that we can do it."

The 14 favorable points of agreement, with their impressive possibilities for selling, were given by Flack as:

(1) National income is still $165 billions a year.

(2) We now have the highest per capital purchasing power in our history.

(3) The national income has a deeper and broader distribution, reaching down to the "have nots."

(4) The demand for services and particularly for durable goods remains unfilled.

(5) Population has increased 8% since prewar.

(6) Between 1940 and 1950 the nation will total 15 million new families, with resultant need for goods and services.

(7) Fifty-eight million are employed, 11 million over prewar.

(8) The banking structure never was so strong. It is incapable of collapse.

(9) Inventories are still comparatively small; there is no comparison with inventories after World War I.

(10) Credit is abundant.

(11) Orders for industrial equipment are at high levels.

(12) Exports will not shrink and are today five times prewar.

(13) Some prices will decline, where costs of raw materials wages, and profits will permit.

(14) There is an enormous need for public works, which provides a backlog in event of any recession.

In reviewing what the war period did to the "crusading sales forces of America," Flack said that during the war seven million salesmen forgot how to sell. He said: "Sales promotion managers became sales prevention managers, salesmen became allocation engineers, soda clerks became soda jerks, and department store sales people became business insultants."

He concluded: "We must educate and train a new sales force. Stores are operated by new owners and staffs, untrained in moving goods or in knowledge of the goods they have. The turnover in owners and sales people shows we must start again from scratch. In the food industry alone, there are 300,000 brand new clerks. These factors call for better selection, training, supervision, marketing, research, incentives and compensation, and sales promotion and advertising."

Mr. Flack is also Vice-President of the National Federation of Sales Executives and is a former Chicago newspaperman.

SEC Collaboration with Security Dealers

By ROBERT K. McCONNAUGHEY*
Commissioner, Securities and Exchange Commission

Pleading for more cooperation between SEC and securities industry and for harmony between various segments therein, Commissioner McConnaughey defends proposal to subject companies with unlisted securities to disclosure provisions of Securities Act of 1934 and says opposition stems from fear of raid of exchanges on over-the-counter markets. Holds this opposition might diminish if concurrently with such proposal means were devised for determining "what securities shall be traded on exchanges and what securities shall be traded exclusively over-the-counter." Denies objectives of SEC are antagonistic to securities dealers. Says simplification of forms and procedures has not yet been achieved, but studies are continuing.

It is somewhat more than six months since I first had the privilege of speaking to a group of the Security Traders. That was at a delightful luncheon in San Francisco last September. Some of you who are here this evening were present then. It is good to meet you again here in Pittsburgh, and to talk again with you, and with your Pittsburgh colleagues, about some of the problems in which you, as members of the securities industry, and we on the Commission, have a common interest.

R. K. McConnaughey

I don't propose to announce any startling new policies of the Commission tonight. Nor do I plan to discuss in any detail the technical aspects of questions we have had under consideration. This doesn't seem to me to be the sort of occasion for that.

Instead I want to speak further, and rather briefly, about the subject that bore the main burden of my remarks in San Francisco—about the desirability of a closer understanding between members of the securities industry and the Commission—and continued collaboration by representatives of the industry with the Commission and its staff in attempting to work out practical ways of dealing with the problems we have in common.

Although there has been much private discussion about the desirability of such collaboration I don't recall that recently it had been publicly urged on the Com-

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*An address by Commissioner McConnaughey before the Pittsburgh Securities Traders Association, Pittsburgh, Pa., May 2, 1947.

Underwriters Pushing for Early Congressional Revision of Rules on Use of Prospectus

Representatives of Investment Bankers' Association and National Association of Securities Dealers scheduled to meet with members of Securities and Exchange Commission and SEC staff personnel latter part of week to iron out remaining difficulties standing in way of making desired recommendation to Congress to revise section of '33 Act pertaining to distribution of prospectus in underwriting of new security issues.

Representatives of the Investment Bankers' Association and the National Association of Securities Dealers will meet the latter part of this week with members of the Securities and Exchange Commission and some of the SEC staff personnel in an attempt to resolve the remaining difficulties standing in the way of the formulation of a concrete recommendation to the present Congress regarding certain amendments to the Securities Act of 1933 pertaining to the use of the prospectus in the underwriting of new security issues which the IBA, the NASD and the SEC all think are necessary.

Though the IBA, the NASD and SEC agree on the general aims to be sought in the proposed revision of the '33 Act, they have not yet come to any agreement among themselves about all points to be covered by the amendments or just how the new statutes are to be phrased. The differences of opinion that exist are probably serious enough but the sheer necessity of having to decide definitely on the various questions arising one way or another at this time—without delay if the present Congress is to receive their proposals—of course enhances the possibility that a compromise of some sort acceptable to all will be reached very soon.

Definite Proposal Awaited

The entire matter of revising the portion of the '33 Act under review so far has received the attention only of the high command, so to speak, of the IBA and of the NASD. The high command in each case, however, doesn't care to assume full responsibility for any decision that may be reached at this time no matter how much it may be to their own particular liking. The men representing the IBA, for instance, are "hopeful" that the thinking on the general question will have crystalized sufficiently by the time the Board of Governors of the IBA meets at French Lick, Ind., on May 19, so that that body can take it up as a definite proposal to be studied and acted upon. Likewise, the men representing the NASD hope that such a synthesis of ideas on the subject will have been achieved by the time the Board of Governors of their own organi-

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Proposes New System Of Margin Requirem'ts

Sen. Hawkes would set up "thermostatic control" as substitute for fixed margin requirements. Says present control method does not meet problems of market trading.

According to a United Press dispatch from Washington, Sen. Albert W. Hawkes (R.-N. J.) plans to introduce a bill which would replace the present fixed margin requirement for stock market trading by a plan of automatic regulation to meet changing conditions. To set up such a plan, Senator Hawkes said, according to the dispatch, would require a great deal of work, but he was confident the job could be accomplished to the benefit of the market and the people who purchase securities.

Sen. A. W. Hawkes

"It is generally recognized that margins as they are now imposed do not meet the problems of market trading," Senator Hawkes said. "If we placed in effect a sort of a 'thermostatic control' on the market we would have automatic regulation to meet changing conditions."

Senator Hawkes would have the control fluctuate between the 40% prewar margin level and the present 75%. When the market is high and inflationary pressures strong, the requirement would be a maximum of 75%.

Under the proposed plan a stock selling at book value would have a minimum 40% margin requirement. One selling at double its book value would have a margin requirement of 60%. A stock selling at three times its book value would require 75% cash to buy.

"Something has got to be done that would automatically change margins to stop wild speculation and encourage decent speculation in the market," Senator Hawkes is reported to have declared. "This, arbitrary changing of so-called 'fixed margins' is not the answer to this serious problem."

The Senator admitted that considerable research work would be required to find base prices for stocks which then would act as yardsticks to govern the margin requirements. He said that a sliding scale on the percentage of increase or decrease in the value of a stock might be the best means of determining changes rather than point changes. He favored this plan because of the varying valuations of stock on the Exchanges.

The National Debt and Savings Banks

By HENRY BRUERE*
President, Bowery Savings Bank, New York

Prominent savings bank executive reveals interest in sound government fiscal policy by savings institutions, the bulk of whose assets consist of government bonds and government guaranteed obligations. Says government borrowing has been inflationary and present pattern of low interest rates has reduced yield on alternative investments. Concludes only escape from fiscal dilemma is a vast future expansion of national wealth or substantial reductions in national debt. Wants new issue of long-term bonds to replace $65 billion of short-term government certificates, and poses nine questions relating to fiscal policy.

We seem to be on the verge of some adjustment in the monetary control policy as represented by the fixed short term Treasury borrowing rates but just what will be done we do not know. It may be that nothing has been decided. Current discussions of the Treasury policy are in the loftiest realm of intellectual speculations, which, as one of the less sophisticated members of my craft, I find some difficulty in following. If there are others in my predicament perhaps they will find themselves in sympathy with a suggestion or two that I shall make in the course of my remarks.

Copyrighted by Underwood & Underwood
Henry Bruere

The fact that we have over 60% of our deposits invested in government bonds, a growing percentage in government insured mortgages, and that 68% of total deposits in all mutual savings banks are in banks insured by the FDIC, might suggest to an outsider that now we have almost carefree existences and should have plenty of time for our avocations, with all the problems of investment pertinent to savings banks solved, by government pledges and insurance guarantees. These are, of course, of the highest excellence and protection but they challenge our alertness sharply while they give comfort and security. The fact is that we, in the savings banks, are very much more concerned than ever with all the problems that the government faces in its monetary management and debt administration. We are deeply involved in all these problems and whether or not we can make important contributions to their solution or elimination, we are under duty, as I see it, to attempt to understand them, and to act with wisdom respecting them whenever we are called upon to act. Indeed, no day passes but requires us to decide to buy or not to buy and to make some appraisal of prospective bond prices and other future monetary developments.

Partners in Fiscal Policy

We are not only the creditors of the government in a large way, but we are inescapably its partners in dealing with the most momentous fiscal problems that any government has ever had on its hands, namely, the management of the world's all time greatest national debt. Fortunately the prime responsibility for this management is vested in the U. S. Treasury, a branch of the government of the highest traditions of excellence and integrity and increasingly equipped with facilities of research and consultation of the

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*An address by Mr. Bruere at the 27th Annual Conference of the National Association on Mutual Savings Banks, Boston, Mass., May 5, 1947.

Public Utility Securities

Tide Water Power Company

Tide Water Power Company furnishes electric service to Wilmington and some 228 other communities in the southeastern part of North Carolina, and gas is served to Wilmington and four other municipalities. 1946 revenues were 80% electric, 19% gas and 1% water. The company does comparatively little industrial business; electric revenues last year were about one-third residential and one-third commercial, with the balance divided between industrial and commercial. Practically all power is purchased from Carolina Power & Light Co. Propane air gas is being substituted for manufactured gas in two localities.

The company was originally in the Associated Gas System, as a subsidiary of General Gas & Electric. No dividends were paid on preferred and common stocks during 1938-44. In the latter year the company recapitalized, converting its outstanding $6 preferred stock into 95,432 shares of common stock on a four-for-one basis, while the outstanding common stock was split four-for-one 3,461 shares of new common. The old bond issue was refunded with a smaller issue of $4,500,000 first 3⅛s due 1975, together with $1,000,000 3⅝% debentures; but the latter were retired in February this year by issuance of 10,000 shares of $4.25 first preferred stock.

Last July the outstanding common stock was split four-for-one into 395,572 shares. 44% of the common stock had been acquired by the Tidebel Company, controlled by Warren W. Bell, President of Tide Water) and members of his family, principally through ownership of a portion of the old preferred stock. Last summer Union Securities Corporation and W. C. Langley & Co., investment banking houses, acquired 157,858 shares of the new common, which were issued in conversion of certain shares of Tidebel Company preferred stocks. The Tide Water shares were recently offered to the public (together with some stock acquired in stabilizing operations) at 8⅝.

The prospectus dated May 2nd contains an unusual amount of historical information on earnings (pages 4-9). These are given both in pro forma and actual form. Per share figures were not worked out, but were derived (as follows) by dividing "earnings for common stock" (page 5) by the present number of common shares:

1946	$1.15
1945	.57
1944	.62
1943	.60
1942	.53
1941	.85
1940	.61
1939	.69

Dividends are being currently paid at the rate of 60¢ so that the stock (at the recent offering price) yields about 7%. Based on the 1946 pro forma share earnings, the price-earnings ratio is 7.5. Comparatively few electric and gas stocks appear to be available on such a basis. The low ratio and the fairly high yield seem explained by the company's rather checkered financial history, and the fact that 1946 earnings were substantially higher than those for 1939-45, even after the latter had been placed on a favorable pro forma basis. (The record of "actual" earnings on page 7 of the prospectus showed losses in 1941 and 1943).

The earnings gain in 1946 was due to savings in Federal taxes; in fact, operating income in 1946 was substantially lower than in 1945, as the result of a sharp decline in gross revenues without a correspondingly large saving in expenses.

Fund and Bank Personnel Rumors

WASHINGTON, May 7 (Special to the "Chronicle")—Present indications are that the Fund's next Executive Director will be an Italian while the Bank's next Executive Director will be an Australian.

Joins Hooker & Fay Staff

SAN FRANCISCO, CALIF. — John Redington has been added to the staff of Hooker & Fay, 315 Montgomery Street, members of the San Francisco Stock Exchange.

COMING EVENTS
In Investment Field

May 15, 1947 (Washington, D. C.)
Dinner Meeting of Association of Stock Exchange Firms—to be addressed by Edward Hopkins, Jr., Drexel & Co., President of the IBA, and Emil Schram, President of the New York Stock Exchange.

May 23, 1947 (Philadelphia, Pa.)
Bond Club of Philadelphia Annual Field Day at the Philmont Country Club, Philmont, Pa.

June 6, 1947 (Baltimore, Md.)
Bond Club of Baltimore Annual Field Day and Outing at the Elkridge Club.

June 6, 1947 (New York)
Bond Club of New York Field Day outing at the Sleepy Hollow Country Club, Scarborough, N. Y.

June 6, 1947 (Toledo, Ohio)
Bond Club of Toledo 13th Annual Golf Outing at Inverness Country Club.

June 12, 1947 (Minneapolis- St. Paul)
Twin City Bond Club 26th Annual Picnic at the White Bear Yacht Club, to be preceded Wednesday night, June 11, with a cocktail party at the Nicollet Hotel, Minneapolis.

June 13, 1947 (Boston, Mass.)
Municipal Bond Club of Boston Annual Outing.

June 13, 1947 (Cleveland, Ohio)
Cleveland Bond Club's annual spring party and silver anniversary celebration.

June 13, 1947 (Philadelphia, Pa.)
Philadelphia Securities Association Annual Field Day at Llanerch Country Club, Llanerch, Pa.

June 14, 1947 (Chicago, Ill.)
Bond Traders Club of Chicago annual Field Day Party, Acacia Country Club.

June 16-17, 1947 (Cincinnati, Ohio)
Municipal Bond Dealers' Group of Cincinnati Spring Party.

June 20, 1947 (Milwaukee, Wis.)
Milwaukee Bond Club annual picnic at Merrill Hills Country Club, Waukesha County, Wis.

June 27, 1947 (Westfield, N. J.)
Bond Club of New Jersey Spring Field Day at the Echo Lake Country Club, Westfield, New Jersey.

July 15, 1947 (Detroit, Mich.)
Security Traders Association of Detroit & Michigan Annual Summer Golf Party, Orchard Lake Country Club. Also a cocktail party and buffet dinner on July 14 at the Savoyard Club, Detroit.

Aug. 10-14, 1947 (Boston, Mass.)
National Security Traders Association annual convention.

Nov. 30-Dec. 6, 1947 (Hollywood, Fla.)
Investment Bankers Association Annual Convention.

Evans, Lane, Torgler With Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Russell E. Evans, Carter H. Lane and Ernest R. Torgler have become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Evans was formerly Vice-President of First California Company, with which Mr. Torgler was also associated. Mr. Lane was Santa Ana representative for the First California Company.

American Investors Can Profit in Mexico

By His Excellency MIGUEL ALEMAN*

Mexican President declares there is great opportunity for American initiative and capital that really wish to share in life of Mexico without greed and lawlessness.


Miguel Aleman

In my country thousands of Americans have found favorable living conditions and ample room for their initiative. They live contented there. Many Americans have made investments in Mexico or have associated with Mexican investors under our laws, and their enterprises are developing without hindrance and yielding considerable profits. In the task which our two nations have undertaken, to make our geographical proximity a factor of mutual advantage, Americans in Mexico and Mexicans in the United States play a leading part. In referring to both groups, allow me a brief digression to extend an affectionate greeting to the Mexicans in New York and other cities of the United States who honor here the laws of hospitality and remain loyal to their own country. Mexico remembers them with all its heart and is concerned with their endeavors. As a spokesman of my country, I wish them happiness.

There are in the United States many of you, Americans, who can, if you are so minded, interest yourselves, lending your intelligence, your energy and determination, in the task that Mexico has resolutely set for itself. I mean the prosperity of my country. Mexico must be prosperous. We have made this resolve, not aiming only at profits, understandable as this would be, but in a legitimate desire to insure our freedom and to make our independence a factor of greater security for the whole world.

We know that our determination places on us a direct duty that we ourselves must fulfill. The future of Mexico is the deep concern of all Mexicans who, conscious of their responsibilities, have found out after tragic experiences that the wages of being weak amount frequently to being ignored.

My countrymen do not expect good things for nothing. In 30 years of social transformation, under fire of many a hostile campaign, we have nevertheless shaped a new, wide awake, creative Mexico. But the Mexican people will have failed in their own eyes if, in the gravity of the present hour, they did not realize that, in a world of growing interdependence, the efficient economic organizations of any one of our Republics has an important bearing on inter-American relations. Mexico must be strong, as

*An address by President Aleman at a dinner in his honor before the Pan American Society, New York City, May 2, 1947.

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Our Primary Task—A Healthy Economy

By HON. W. AVERELL HARRIMAN*
Secretary of Commerce

Cabinet member, in extolling economic accomplishments since end of war, asserts first requirement in meeting our international responsibilities is to maintain the productivity and health of our economy. Says we need expanded external markets and larger volume of imports, and urges economic restoration of Germany and Japan.


W. Averell Harriman

American business men have accomplished a magnificent job of reconversion from war to peace in the year and a half since the end of hostilities. Few would have thought at the time of the Japanese surrender that we would be today enjoying the highest level of national income and prosperity in our history. There were those who predicted calamity for the American economy as soon as the war ended, but the record shows that American business has gone ahead rapidly and intelligently to achieve a magnificent record of sustained employment and ever-increasing productivity.

The American record of economic accomplishment since the end of the war is the greatest living testimony to the vigor and soundness of the free enterprise philosophy. In these days when people in other countries are experimenting with their social and economic institutions in an effort to find a way out of their material and spiritual difficulties, a practical demonstration of the potentialities of our free institutions is of the greatest importance. The United States has become the greatest productive force in the world. We are the leading creditor and lending nation. Free people the world over look to us for example and leadership.

Science and technology have shrunk the globe. We Americans must broaden our horizons and recognize the world impact of our actions if we are to meet the needs of the times.

U. S. Leadership

The first requirement in meeting our responsibilities to the world is to meet our responsibilities to ourselves. In other words, our primary task is to maintain the productivity and health of our own economy. We already produce perhaps one-half of the manufactured goods in the world. We are practically the only nation at the present time which can provide a good life for all of our own people and at the same time pro-

*An address by Secretary Harriman at dinner of U. S. Chamber of Commerce, Washington, D. C., April 30, 1947.

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Britain's Convertibility Worries

By PAUL EINZIG

Dr. Einzig points out uncertainties regarding British program to resume sterling convertibility on July 15, and says meaning of convertibility is still obscure. Foresees drain on British dollar reserve.

LONDON.—As the fateful date of July 15 is drawing nearer, the prospects of resuming the convertibility of sterling is causing growing concern. Until now hopes were entertained that the date might be postponed, but it is now evident that Britain will have to carry out the undertaking given in the Loan Agreement, irrespective of cost. Convertibility has now become a much discussed subject in political and financial circles, and in the press.

Dr. Paul Einzig

The exact meaning of the change is not understood, however, and official circles are reluctant to clarify it—possibly because they themselves do not know it. The following are some of the obscure points:

(1) Will convertibility only apply to countries with which Britain has concluded specific agreements to that effect?

(2) If not, will it only apply to countries which in turn are prepared to convert into hard currencies the British holdings of their respective national currencies?

(3) Will convertibility be confined to the proceeds of visible and invisible exports to Britain, or will the proceeds of exports to other Sterling Area countries become also convertible if transferred to London?

(4) Since Sterling will become convertible solely for the purpose of current trade requirements and not for the purpose of building up a dollar reserve, will the British authorities refuse to convert the sterling of countries which possess dollar balances unless and until they have exhausted those balances?

There are many other technical questions about which uncertainty prevails, but the above selection should suffice to give an idea of the extent to which the meaning of convertibility is still obscure. The consequences of the change are, of course, even more uncertain. No wonder the government's decision to make sterling convertible is described as a leap in the dark in many quarters.

Those in favor of convertibility argue that the extra burden on the British dollar reserve will be small, since Britain's trade with soft currency countries is fairly evenly balanced. This argument overlooks the elementary fact that, while Britain's trade with soft currency countries as a whole may be balanced, individual countries within that category have large export or import surpluses in relation to Britain. Thus while France has a large import surplus, Italy has a large export surplus. This would not matter if all countries agreed to follow the British example by making their currencies convertible, at any rate for the benefit of British holders. But it will be many years before this will be done. Meanwhile the chances are that

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Government's Place in Labor-Management Relations

By HON. JOSEPH H. BALL*

U. S. Senator from Minnesota

Sen. Ball, after reviewing defects of New Deal labor legislation, says aim now is to achieve a balance in legal rights and responsibilities of employers and employees and to effect a liberal, sound solution to racketeering practices in labor relations. Denies labor is deprived of its just rights and defends prohibition of the closed shop, jurisdictional disputes, secondary boycotts and industry-wide bargaining. Contends proposals do not change unfair labor practices of employers and says if pendulum is swung back too far, law can be changed.

My assignment is to talk about the government's role in labor relations, and I think perhaps I will devote most of my time to a review of the major points in the pending legislation. I noted Mr. Steinkraus devoted or laid quite a bit of stress on the necessity and the desirability of industrial peace. I agree with him in that, of course, but I do think sometimes we can stress peace a little too much. I am not one of those who believes that we must have peace at any price. I do not think that will work any better in the domestic economy field than it did in the international field, and I think what we want is a just system and a just policy under which labor and management themselves can find a way to get along together.

Senator Jos. H. Ball

I think it is the task of Congress to develop a policy; it is the task of the Executive Branch and the Judicial Branch to enforce the law as we write it and provide the necessary voluntary mediation under whatever we set up in Congress. I think, unfortunately, both the Executive and Judicial Branches have been writing an awful lot of policy themselves in the last 10 or 20 years, in their interpretation and application of laws passed by Congress, and the sooner we can get away from that and the less government intervention we have in labor relations, the better off we will be.

Congress faces a pretty big job in this field, partly because it has been 12 years since any real substantive change has been made in national labor policy. As a matter of fact, the change for the previous 10 or 15 years, all the changes, had been in the direction of giving to unions various immunities and privileges and more or less restricting employers. The

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*An address by Sen. Ball at the 35th Annual Meeting of the Chamber of Commerce of U. S., Washington, D. C., May 1, 1947.

Minton M. Clute With Straus & Blosser

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Minton M. Clute has become associated with Straus & Blosser, 600 Griswold Street. Mr. Clute was formerly with Baker, Simons & Co., specializing in industrial securities. Prior to serving in the U. S. Army he was with the Detroit office of Straus Securities Company.

Minton M. Clute

Dalton Speech Seen as Highlighting Coming Sterling Crisis

Correspondent reports Washington misgivings, including Chairman Wolcott's doubts over Another U. S. loan.

WASHINGTON, May 7 (Special to the "Chronicle") — Commenting on the speech of Chancellor of the Exchequer Hugh Dalton, concerning Britain's sterling war debt to India, Egypt and other countries, Chairman Wolcott of the House Banking and Currency Committee, which handled the British financial agreement in 1945, stated to this correspondent:

"I hope Britain will be able to work out something on this matter, because of the improbability of her getting another loan from the United States."

One United States Government financial official consulted by the writer observed that, while Dalton's speech was somewhat stronger than earlier utterances, it came as no surprise and was really just a restatement of a well known position. This official likened the sterling balances to lend-lease.

Another American, who is a close student of international financial matters, takes a discouraging view of the prospect of settling the blocked sterling. He sees achievement of a settlement virtually impossible because the Indians, newly rich in foreign exchange and with big industrialization plans, cannot accept the terms Britain can afford to offer. He sees no way whereby Britain could promise to convert, say, 20 or 40% of blocked sterling over a five year period. Should Britain in July actually have to block the war time sterling accumulations, there probably would follow ugly retaliatory action against British investments in India.

The outlook would affect adversely contemplated American business investments in India and the Near East because of the uncertainty surrounding the withdrawal of earnings.

When British financial difficulties again come before the Congress, as now seems a likelihood, the United States may have to do what in 1945 it decided against doing: pay off some of Britain's war time sterling debts. Incidentally failure to solve this problem by July will tend to put added burdens on the world fund.

World Bank Progress

By HERBERT M. BRATTER

Mr. Bratter appraises its current policies as far more conservative than had been anticipated.

WASHINGTON, D. C.—As the negotiations of France with the World Bank approach conclusion, the Canadians among others concerned with that institution are reported as regretting the turn of affairs since the policies became definitely conservative.

Herbert M. Bratter

It is now clear that what was hailed after Bretton Woods as a $10,000,000,000 instrument for postwar reconstruction and development is going to be both considerably smaller and materially slower than once was thought likely. This is apart from the delays already encountered in getting the program launched.

Well-informed observers believe that the World Bank will be unable to borrow more than $1,000,000,000 a year in the U. S. market, which figure accordingly will mark the annual limit of the Bank's loans and guaranties.

Contributing to the Bank's inevitable slowness is the process of making its loans with care. Unlike UNRRA, the World Bank is operated on the theory that its loans must be carefully studied beforehand, and adequately supervised. Some of the applications already laid before the directors are regarded as astronomic and fantastically ambitious, and the process of whittling them down to size will necessarily be a slow one. Borrowers will find that the Bank has ideas about "conditions," some of which will entail time-consuming checking back and forth.

Thus it may be three years before the Bank will have lent as much as the USA's commitment of $3,175,000,000 entered into under the BW agreement. While it is unlikely that the Bank in offering its securities to investors will specifically promise to quit when that figure is reached, the market itself may decide to call quit then, and there will be nothing the Bank can do about it.

Marxer & Co. Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — Robert H. Crider has joined the staff of Marxer & Co., Penobscot Building, members of the Detroit Stock Exchange.

With Eastern Securities Co.

Special to THE FINANCIAL CHRONICLE

ST. JOHN, N. B., CANADA—Ronald H. Machum is with Eastern Securities Co., Ltd., 85 Prince William Street.

Commerce vs. Communism

By CLARE BOOTHE LUCE*

Former Member U. S. House of Representatives

Noting that Communism is increasingly appealing as a dynamic religion for the world's stricken, Mrs. Luce urges greater practice of Christianity. Declares only solutions to present problems are day's honest work and decisions.

This is May Day, the international holiday of world Communism. The word "holiday" once meant "holy day." And this is a holy day of vast account to millions of people everywhere on the march under the bloodred banner of the Hammer and Sickle. As a religion of mass salvation, Communism increasingly appeals to the stricken and dispossessed and bombed-out all over the world. That is as it must be; for the history of all mankind proves that civilization cannot subsist without a dynamic religion. Let us note in passing that Communism, as a religion of mass salvation, has not succeeded because Christianity has failed in our times, but because Christianity has not been tried in our times. Saying which—the only thing of importance that can be said on May Day—let me lurch back to my subject; Commerce vs. Communism.

Clare B. Luce

The problem which faces an honest speaker on May Day is this: how to talk about Communism without helping the communists.

Warns Against Complacency

If this time is spent telling you what a monstrous, cruel, and fallible system Communism is, compared to Democracy, only one effect may be achieved: to send you all away feeling delightfully complacent about Democracy in general, and the Chamber of Commerce in particular as the gallant custodian of the brightest jewel in its crown—the world's highest living standards. And the one fatal attitude in times of danger is complacency. Neither saints, nor heroes, nor patriots, nor even very good business men are products of the complacent mood. But our times call for such men: men of humility and courage, and mercy and lucidity. Complacency is pride grown fatuous and senile. It is the death of these vigorous and necessary virtues. It is for this reason, today, you would not want your speakers to increase your self-esteem.

Then let's ask, in a mood of wholesome uneasiness, why things have come to such a doleful, bloody pass with this generation. For we live in an age of hideous human disorders and intellectual confusions. Is there not at least one fact about that confusion which is plain to any lucid mind? There is: the fact that everybody blames somebody else for it.

For example, abroad whole nations blame other whole nations for a large part of their domestic trouble, and all of their international troubles.

We, in concert with the 55 United Nations, lately blamed Hitler and the Nazis as the sole authors of World War II. Now we have crushed the Nazis. And Hitler rots in ignominy. And yet our troubles continue, indeed grow worse. Whom shall we blame for them now? Whom, in the words of the journalists, shall we flay, flail, and lash out at? Why, by popular demand, of course, the Commies. Communism abroad and "subversive elements" at home are now held responsible for everything and anything that sours, or

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*A talk by Mrs. Luce before N. Y. State Chamber of Commerce, New York City, May 1, 1947.

Dealer-Broker Investment Recommendations and Literature

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

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

Common Stocks With Long Dividend Records Which Are Dealt in on the New York Curb Exchange—Roster of 271 common stock issues on which dividend distributions have been made every year for the past 10 years or longer—New York Curb Exchange, 86 Trinity Place, New York 6, N. Y.

Fire and Casualty Insurance Stocks earnings comparison for 1946—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Ideas for Dealers — Discusses beet sugar stocks, Seaboard Finance Company, multiple purchase program, and "western" portfolio—Kaiser & Co., Russ Building, San Francisco 4, Calif.

Illinois Service Recognition Bonds—Comparison and bond values chart on bonds maturing from 1958 to 1972 with comparison of original and current level prices of these maturities with those of the Michigan bonus issue and those for the State of New Jersey—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Insurance and Bank Stock Evaluator—Comparative analysis of 80 insurance companies and 38 banks in tabular form—Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles 14, Calif.

International Bank for Reconstruction and Development — Booklet, including a summary of the present eligibility of the bank's proposed debentures for Commercial Banks, Insurance Companies, Mutual Savings Banks and Institutions; picture of organization, membership, capital structure and operations, and purpose; a section of the booklet deals fully with the bank's proposed loans—Kidder, Peabody & Co., 17 Wall Street, New York 5, N. Y.

Machinery Industry, The—Part I—Outlook for American industry generally and examination of investment values—E. W. Axe & Co., 730 Fifth Avenue, New York 19, N. Y.—Paper—$1.00 (50c. to public libraries and non-profit institutions).

Natural Gas Industry with special reference to **Columbia Gas & Electric Corporation**—Review of the situation—Hirsch & Co., 25 Broad Street, New York 4, N. Y.

Also available is a memorandum on International Telephone & Telegraph Corporation.

Security and Industry Survey—An analytical guide for investors issued quarterly—May issue presents complete new series of stock price index ratio charts, covering a list of 540 leading stocks subdivided into 112 industry groups and sub-groups—Merrill Lynch, Pierce, Fenner & Beane, 70 Pine Street, New York 5, N. Y.

When Are Prices for Securities Important?—Discussion of long-term approach to investment problems—Elworthy & Co., 111 Sutter Street, San Francisco 4, Calif.

Artkraft Manufacturing Corp.—Detailed information to dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

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

Also available are memoranda on **Lanova Corp.** and **Taylor Wharton Iron & Steel; Purolator Products; Upson Corp.; United Artists; Vacuum Concrete; Barcalo Mfg.**

Bethlehem Steel Corporation—Survey—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

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

Central Public Utility Corp.—Memorandum—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

Central Public Utility—Recent review—Fred. W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Central Railroad of New Jersey — Discussion of recently announced reorganization plan—in the May 1 issue of "Railroad and Other Quotations"—B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

Also available is an analysis of **Joseph Bancroft & Sons Co.**

Colombian Debt Revisions (Municipalities and departments)—Survey of the proposed plans—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Also available is a memorandum on **Eastern Utilities Associates.**

Douglas Oil Co. of California—Late data—Pacific Company of California, 623 South Hope Street, Los Angeles 14, Calif.

Electrical Products Corporation—Analysis—Thomas D. Sheerin and Co., Fletcher Trust Building, Indianapolis, Ind.

Fashion Park, Inc.—Circular—Seligman, Lubetkin & Co., Inc., 41 Broad Street, New York 4, N. Y.

Also available are circulars on **Tennessee Products** and **Consolidated Dearborn.**

Fort Wayne Corrugated Paper Co. common stock — Descriptive brochure—David A. Noyes & Co., 208 South La Salle Street, Chicago 4, Ill.

Franklin County Coal Corp.—Detailed analysis — Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available are analyses of **Hydraulic Press Mfg. Co., Long Bell Lumber Co., Miller Manufacturing Co.,** and **Old Ben Coal Corporation.**

General Cable 4% convertible second preferred—Analysis and outlook—Joseph Faroll & Co., 29 Broadway, New York 6, N. Y.

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

Homestead Mining Co.—Review—Kalb, Voorhis & Co., 15 Broad Street, New York 5, N. Y.

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

Mid-Continent Petroleum Corp.—Memorandum — Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y.

Middle West Corp.—Detailed memorandum — Bear, Stearns & Co., 135 South La Salle Street, Chicago 3, Ill.

Nathan Straus-Duparquet, Inc.—New report—Troster, Currie & Summers, 74 Trinity Place, New York 6, N. Y.

New England Gas & Electric Association—Analysis—New York Hanseatic Corp., 120 Broadway, New York 5, N. Y.

New York Central Railroad—Memorandum on speculative possibilities—A. M. Kidder & Co., 1 Wall Street, New York 5, N. Y.

Philadelphia Transportation Co.—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **H. H. Robertson Co.** and **Eastern Corp.**

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

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

Railroad Developments of the Week—Current developments affecting the rails—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

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

A. E. Staley Manufacturing Co.—Detailed analytical brochure—Smith, Barney & Co., 14 Wall Street, New York 5, N. Y.

Stratton & Terstegge Co.—Late data and prospectus—The Bankers Bond Co., Inc., Kentucky Home Life Building, Louisville 2, Ky.

Terra-Life — Circular—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

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

U. S. Industrial Chemicals, Inc.—Brochure surveying its present status—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Lion Oil Company** and a revised analysis of **Thatcher Glass Manufacturing Company.**

Utah Southern Oil Co.—Descriptive analysis—Forbes & Co., First National Bank Building, Denver 2, Colo.

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

Stassen Reports Talk with Stalin

Ex-Governor of Minnesota releases transcript of talk with Russian leader at Kremlin on April 10. Stalin stresses desire and need for cooperation "between the two economic systems," to avoid war. Points out U. S. geographical advantages as compared with Russia and queries regarding impending U. S. economic crisis. Holds U. S. benefits in world markets from defeat of its competitors, Japan and Germany.

Ex-Governor Harold E. Stassen of Minnesota, a Republican Presidential aspirant, who has been traveling throughout Europe and has recently returned to the United States, released on May 3 a complete transcript of his interview with Prime Minister Joseph Stalin of Russia. The text of the release follows:

Harold E. Stassen

Mr. Stassen: (After introductions) Generalissimo Stalin, on this European trip I am particularly interested in studying conditions of an economic nature. In this regard, of course, the relations of the U. S. A. and the U. S. S. R. are very important. I realize that we have two economic systems that are very different. The U. S. S. R. with the Communist party and with its planned economy and socialized collective state and the U. S. A. with its free economy and regulated private capitalism are very different. I would be interested to know if you think these two economic systems can exist together in the same modern world in harmony with each other?

Generalissimo Stalin: Of course they can. The difference between them is not of essential importance so far as cooperation. The systems in Germany and the United States are the same but war broke out between them. The U. S. and U. S. S. R. systems are different but we didn't wage war against each other and the U. S. S. R. does not propose to. If during the war they could cooperate why can't they today in peace? Given the wish to cooperate, of course, but if there is no desire to cooperate even with the same economic systems, they may fall out as was the case with Germany.

Mr. Stassen: I believe, of course that they can cooperate if they both have the desire to, but there have been many statements about not being able to cooperate. Some of these were made by the Generalissimo himself before the war. But is it possible now that the Fascist Axis has been defeated that the situation has changed?

Mr. Stalin: It's not possible that I said that the two economic systems could not cooperate. Cooperation ideas were expressed by Lenin. I might have said that one system was reluctant to cooperate, but that concerned only one side. But as to the possibility of cooperation, I adhere to Lenin, who expressed both the possibility and the desire of cooperation. As to the desire of the people to cooperate on the part of the U. S. S. R. and the party, it is

(Continued on page 41)

International Chamber Wins Recognition of United Nations

By WINTHROP W. ALDRICH*

President, International Chamber of Commerce

Chairman, Chase National Bank of New York

Mr. Aldrich reveals recently reorganized International Chamber of Commerce has been accorded official recognition by Economic and Social Council of United Nations and is therefore in position to make important contributions to its work. Lays down postulates for a world trade organization in which widest scope is given to private enterprise system.

At the Council Meeting of the International Chamber of Commerce held last December in Paris, I was able to report that the International Chamber had been accorded official recognition by the Economic and Social Council. The Economic and Social Council, as you will recall, was given a very significant role in the United Nations organization by reason of universal awareness of the importance of international economic problems and of the need for international cooperation in the solution of these problems.

W. W. Aldrich

The Economic and Social Council is unique among the organs of the United Nations in that it alone may enter into consultative arrangements with non-governmental bodies.

As an international organization concerned with most of the activities of the Economic and Social Council, the International Chamber of Commerce was awarded Class A, or top consultative status. This means that the International Chamber may send observers to all public meetings of the Economic and Social Council; it may submit written reports and recommendations and may participate informally in general discussions.

The example of the Economic and Social Council in granting consultative status will doubtless

(Continued on page 48)

*An address by Mr. Aldrich at the Annual Dinner of the United States Associates of the International Chamber of Commerce, Inc., New York City, May 6, 1947.

Illinois Brevities

An issue of $300,000,000 State of Illinois service recognition bonds, series A, dated May 1, 1947, was publicly offered on April 30 by a syndicate headed by The First National Bank of Chicago, Harris Trust & Savings Bank, The Northern Trust Co. and the Continental Illinois National Bank & Trust Co., all of Chicago, and The Chase National Bank of the City of New York, The National City Bank of New York, Bankers Trust Co., First National Bank, Guaranty Trust Co. of New York, Chemical Bank & Trust Co., Halsey, Stuart & Co. Inc., The First Boston Corporation, Smith, Barney & Co., and Blyth & Co., Inc., all of New York, N. Y., and others. Half of the total issue bears interest at the annual rate of 1½%, and the other half 1¾%. $12,500,000 bonds mature annually May 1, 1949 to May 1, 1972, inclusive, without option of prior payment.

The 1949 to 1966 maturities were offered at prices to yield from 0.75% to 1.70%, and the 1967 to 1972 maturities at prices from 100 to 99. The proceeds are to be used to finance bonus payments to almost 1,000,000 veterans of World War II. Funds to retire the issue will be raised by the State of Illinois from taxes collected on pari-mutuel best at race tracks and higher levies on cigarettes. This offering was the largest in the history of local government finance.

* * *

An underwriting group headed by Smith, Barney & Co. and The Illinois Company are placing on the market today an issue of 500,000 shares of $1 par value common stock of Standard Railway Equipment Manufacturing Co., manufacturers of metal roofs, ends and other equipment used in the construction of railroad freight cars. The offering price is $12.50 per share. Of the shares offered, 135,000 shares represent new financing by the company which will use the proceeds, together with other funds, to retire an outstanding bank loan. The balance of 365,000 shares is already outstanding and is being sold for the account of present stockholders, who will continue to own a substantial number of shares.

* * *

One of the largest pieces of new-money financing in many years came closer to the final stage on May 6 when the Tucker Corporation of Chicago filed with the SEC a registration statement covering 4,000,000 shares of class A common stock.

Floyd D. Cerf Co., Inc. of Chicago will head a nation-wide group of investment houses which will publicly offer the stock later at $5 per share.

A portion of the net proceeds, which it is estimated will amount to $17,200,000, will be used to rearrange the former Chicago Dodge-Chrysler plant for the manufacture of the new Tucker Torpedo which will be a departure from the conventional passenger automobile being built at the present time. It will be a modern rear-engine, six-passenger car incorporating many innovations not heretofore seen. Six pilot models are now being constructed.

* * *

Per share earnings upon the common stock of Walgreen Co. were $1.59 for the six months ended March 31, 1947, as against $1.50 for the comparable period last year. The latter figure included a non-recurring profit equivalent to 45 cents per share, and a reserve provision offsetting it to the extent of 39 cents per share.

* * *

Halsey, Stuart & Co. Inc. headed a group of underwriters which on May 7 offered publicly at 99½ and accrued interest $15,000,000 of first mortgage sinking fund bonds, series C, 2⅝% due May 1, 1967, of The Cudahy Packing Co. The proceeds will be used to redeem all of the $14,000,000 outstanding first mortgage 3% bonds, series B, and the balance, together with funds to be supplied by the company, will be applied to the acquisition of properties at Phoenix and Tucson, Arizona.

* * *

The stockholders of Libby, McNeill & Libby on May 15 will vote on creating an authorized issue of 100,000 shares of cumulative preferred stock of no par value. The common stockholders will be given the right to subscribe for one share of this preferred for each 36 shares of common stock held. Rights will expire about June 2, and any preferred stock not taken by stockholders will be publicly offered by a banking group headed by Glore, Forgan & Co. About $7,500,000 of the proceeds will be used to pay for plant expansion and the balance added to working capital.

* * *

Consolidated net income of the Commonwealth Edison Co. and its subsidiaries for the first three months of 1947 amounted to $9,514,727, or 69 cents per share, as against $8,663,420, or 63 cents per share, for the same period last year. Earnings per share were $1.98 and $1.97 for the 12-month periods ended March 31, 1947, and March 31, 1946, respectively.

* * *

Certain-teed Products Corp. and its wholly-owned subsidiary companies for the three months ended March 31, 1947, had a net income of $1,407,672, or 92 cents per common share, after appropriating $100,000 to reserve for contingencies. For the corresponding period of last year, net income was $741,999, or 45 cents per share.

* * *

Edward N. Hurley, Chairman of the board of Electric Household Utilities Corp., announced that "shipments in the first quarter of 1947 were the largest ever enjoyed by the company, both in the number of units produced and the dollar volume."

* * *

The year 1946 saw American Phenolic Corporation's sales level at approximately one-eighth of its wartime peak, although substantially in excess of any prewar year. Orders received in 1946 amounted to $7,026,902 against shipments of $5,186,612.

Says Would-Be Home Owners Are Holding Off

Northwestern Life Insurance Co. study reports building and wage costs almost double prewar level. Sees levelling off of materials prics.

A home that could be built for $5,000 in 1940 costs an even $9,000 to erect today; the average increase in residential building costs in 26 major cities since prewar has now reached 80%, according to a study by Northwestern National Life Insurance Company.

Almost half, or $1,800 of this $4,000 rise has taken place in the last year; a similar study made by the insurance company in the spring of 1946 found that the 1940 $5,000 house would cost $7,200 to construct at that time.

Building material prices show an average rise of 76% since 1940; this coincides closely with the rise of 77% that has occurred in the manufacturing industry's average hourly wage costs in the same period, the study shows.

In the construction industry, hourly wage rates have risen 32% for skilled workers and 62% for unskilled labor since 1940, but actual on-the-site wage costs are running as much as 80 to 100% above 1940 labor costs, the study finds. This is largely due to difficulties in utilizing building workers' time efficiently when the flow of building materials is interrupted by strikes, bottlenecks and shortages in the various materials industries, the report states.

There is evidence that many would-be home owners are shelving their plans for the present, the study says. Though residential building activity for the first quarter of 1947 showed an increase from the corresponding period of 1946 in most areas, a dozen U. S. cities registered sharp downturns as compared with the first quarter of last year, and in many others the rise in volume had halted at about last year's figures.

Materials prices show a tendency to level off from their rise; building wage rates are still climbing, but with materials now in better supply, more efficient use of labor can probably be made from here on, the report states.

In the World War I era, building costs rose approximately 150% in the six-year period from 1914 to 1920, the study recalls, while wholesale lumber prices soared 300%. The final spurt in construction costs between early 1919 and early 1920 amounted to 40%; the postwar building boom then collapsed in a wave of cancellations. In the ensuing depression of 1921, building costs dropped back approximately one-third; in 1922, the greatest construction boom in the nation's history got underway.

The study lists percentage increases in home building costs that have occurred in individual cities since 1940 as follows: Atlanta, 108.1%; Baltimore, 95.8%; Birmingham, 86.6%; Boston, 78.4%; Buffalo, 88.5%; Chicago, 66.6%; Cincinnati, 85.6%; Cleveland, 88.1%; Dallas, 84.4%; Des Moines, 69.1%; Denver, 71.2%; Detroit, 91.8%; Indianapolis, 87.7%; Kansas City, 78.5%; Los Angeles, 93.4%; Milwaukee, 87.3%; Minneapolis-St. Paul, 80.2%; New Orleans, 84.4%; New York City, 77.2%; Philadelphia, 92.1%; Pittsburgh, 73.4%; St. Louis, 83.4%; San Francisco, 85.7%; Seattle, 86.4%; Washington, D. C., 84.3%.

George W. Schultz With Chesley & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — George W. Schultz has become associated

George W. Schultz

with Chesley & Co., 105 South La Salle Street. Mr. Schultz was formerly Vice-President of Allen, Swift & Co. and prior thereto was a partner in Barnest & Turley.

With Schwabacher & Co.

(Special to THE FINANCIAL CHRONICLE)

SANTA BARBARA, CALIF. — Charles E. Perkins, formerly local representative for Blyth & Co., Inc. has become associated with Schwabacher & Co., 930 State Street.

Freehling, Meyerhoff Announce Merger

CHICAGO, ILL. — Irving E. Meyerhoff and Norman Freehling announce that effective May 12, they will consolidate their respective stock exchange firms under the name of Freehling, Meyerhoff & Co., with offices in Suite 1742, 120 South La Salle Street.

Freehling, Meyerhoff & Co. are members of the New York Stock Exchange, The Chicago Stock Exchange, and the Chicago Board of Trade. They will have a direct private wire to a New York correspondent.

Mr. Meyerhoff joined the Chicago Stock Exchange in 1925 and has been a floor broker, specialist and odd-lot dealer on the Exchange. Since 1943 he has conducted a general securities business in conjunction with these activities. Mr. Freehling, a member of the Exchange since 1928, has likewise been a specialist and odd-lot dealer and has also conducted an investment business.

Associated with them as general partners will be: Harry E. Newman, a member of the Chicago Stock Exchange since 1930, who has been a customer's man and floor broker for Paine, Webber, Jackson & Curtis since 1926; Willard Freehling, a brother and partner of Norman Freehling, who has been in the investment business since 1934 with the exception of four years in the Army; William D. Goodman, who has been in the securities business continuously for 25 years; since 1941, with Norman Freehling & Co.; Philip Plesofsky, in the investment business since 1928 and with Irving E. Meyerhoff & Co. since 1938 and a partner since 1943; Ferdinand Straus, of New York City, a member of the New York Stock Exchange since 1928, who will conduct the activities of the new firm on that Exchange.

Formation of the new firm was previously reported in the "Chronicle" of April 17.

Prices And the UK Loan

(Special to THE FINANCIAL CHRONICLE)

WASHINGTON, May 7—There has been much discussion of the fact that the rise in American prices has drastically cut into the purchasing power of the British loan, negotiated in December, 1945.

It is interesting to note that, on the other hand, British export prices also have been going up, although not to the same extent. Moreover, since Britain imports more than it exports nowadays, the importance of this fact is further reduced.

According to official British figures, based on 1938 as 100, import prices were 130 in December, 1939, 198 in December of 1945 and 223 in January, 1947. On the same dates export prices of articles wholly or largely manufactured—articles which comprise between 80 and 90% of Britain's exports—were 106, 188 and 211, respectively.

NSTA Notes

PITTSBURGH SECURITIES TRADERS ASSOCIATION

The slate presented by the Nominating Committee for officers of the Pittsburgh Securities Traders Association was adopted as proposed at the annual meeting of the organization held Friday, May 2, at the Shannopin Country Club. Newly elected officers are: President George S. Lestrange, Moore, Leonard & Lynch; Vice-President, William G. Simpson, H. M. Byllesby & Co., Inc.; Secretary, Earl E. Sweitzer, E. E. Sweitzer & Co., Inc.; Treasurer, Kenneth Moir, Chaplin & Co.; Directors, Charles N. Fisher, Singer, Deane & Scribner, Wilburn E. Johnson, Johnson & Johnson, and Lawrence E. White, Blair F. Claybaugh & Co.

Earl E. Sweitzer

George S. Lestrange

W. G. Simpson

Winners of the prizes at the Association's outing, pictures taken at which appear elsewhere in this issue, were:

Low Gross—Russell M. Ergood, Jr., Stroud & Co., Inc., Pittsburgh, Pa.
High Gross—Robert G. Deakins, Reed, Lear & Co., Pittsburgh, Pa.
La Bauche—E. Lowrie Applegate, George G. Applegate, Pittsburgh, Pa.; John D. Ballard, Hemphill, Noyes & Co., Pittsburgh, Pa.

$500 Drawing—Robert Doyle, C. C. Childs & Co., Pittsburgh, Pa.
150 Drawing—Henry C. Welsh, Jr., Lilley & Co., Philadelphia, Pa.
75 Drawing—L. G. Hunt, New York.
75 Drawing—J. W. Butler, Baker, Watts & Co., Baltimore, Md.
25 Drawing—Eugene H. Lear, Reed, Lear & Co., Pittsburgh, Pa.
25 Drawing—John Mayer.
25 Drawing—C. J. Stubner, Stubner & Company, Pittsburgh, Pa.
25 Drawing—George Liersoph.
25 Drawing—W. J. Mangin.
25 Drawing—J. Stolack, Claybaugh & Co., Pittsburgh, Pa.
25 Drawing—Robert G. Deakins, Reed, Lear & Co., Pittsburgh, Pa.
25 Drawing—Frank Carr, John Nuveen & Co., New York City, N. Y.

BOND CLUB OF DENVER

On May 2 the Denver Bond Club Keglers held their final sweepstakes at the Colfax Lanes from 4:30 to 5:45 p.m. This was followed by the prize banquet at the Auditorium Hotel at 7 p.m.

Winners of the sweepstakes were John Alff, Amos C. Sudler & Co., George Shaw, Merrill Lynch, Pierce, Fenner & Beane, and Pete Soden, J. K. Mullen Investment Co. Runners-up were Jerry Bachar, J. A. Hogle & Co., G. B. Richardson, Garrett-Bromfield & Co. and Harry Siple, Harris, Upham & Co.

The 10 teams competing in the games were: Trendlines—Messrs. Shaw (captain), Alff, and Soden; Dow Theorys—Messrs. Siple (captain), Richardson, and Bachar; Locals—Messrs. Lilly (captain), Wallace, and Argall; Traders—Messrs. Patterson (captain); Huber, and Kennedy; Bulls—Messrs. Federman (captain), Mayer, and Neely; Shorts—Messrs. Hunt (captain), Stone, and Mullen; Value Lines—Messrs. Peters (captain), Carroll, and Dodge; Sure Things—Messrs. Schlenzig (captain), Bemis, and Myers; Bears—Messrs. Roberts (captain), Steck, and Davis; Red Herrings—Messrs. Ryan (captain), Em Wilson, and Cy Wilson.

Alternates were Messrs. Middaugh, Forsyth, Mitton, Smith, Longwell, Tettemer, Glen Clark, Phil Clark, Fuller, Barker, Robinson, Daane, and Ahern.

Pictures taken at the sweepstakes, which appear elsewhere in the "Chronicle," were taken and developed by Earl M. Scanlan of Earl M. Scanlan & Co.

Two New York Men Elected Officers of Gas Appliance Manufacturers Association

Two New York men, Frank J. Nugent, General Manager of Appliance Sales for the Rheem Manufacturing Company, and John Van Norden, Secretary of the American Meter Company, have been elected officers of the Gas Appliance Manufacturers Association, it was announced in New York on May 1 by H. Leigh Whitelaw, Managing Director of the Association. Mr. Nugent was elected Vice-President and Mr. Van Norden, Treasurer. Mr. Nugent was also named Chairman of the Gas Water Heater Division of the Association.

The Association's membership is made up of 462 manufacturing organizations which produce gas appliances and equipment in the United States and Canada.

John Robertshaw

John A. Robertshaw, of Youngwood, Pa., was elected President of the Association, succeeding Dr. P. O'Keefe of Los Angeles. Mr. Robertshaw, who is President of the Robertshaw Thermostat Company, will take office Oct. 1. Frank J. Hoenigmann, Vice-President of the Florence Stove Company, Chicago, Ill., was also elected a Vice-President.

Letter to the Editor:

Predicting Markets

Correspondent says both bullish and bearish arguments are so good that public cannot make up its mind. Says plentiful money supply and low interest rates no safeguard against depression and "quickest way to go into bankruptcy can be through expansion."

Editor, Commercial & Financial Chronicle:

I enjoyed very much reading Mr. Palyi's article in your April 24 issue. It was as vigorous, forthright, well documented and colorful as Mr. Lewis's article about a year ago, which predicted the end of the bull market. Maybe it will become just as famous.

It may be worthwhile noting, however, that while the stock market has gone down, as Mr. Lewis predicted, it has not yet gone down nearly as far as he more or less implied it would. A bear market which ends, if it does, at between 160 and 170 on the Dow will prove to be a fairly harmless bear market. Perhaps this will happen to Mr. Palyi's inflation.

For the past six months the stock market has been unable to get quite as frightened as it ought to of the bear arguments or any where near as happy as it ought to be at the bulls' arguments. Perhaps both are such good arguments that it can't make up its mind. In fact, or at least in my opinion, each side has very good arguments. It is somewhat disappointing, however, that no one has appeared with sufficient learning and sufficient *sang froid* to precisely and delicately show how far each set of arguments has validity.

Suppose he took the case of wheat. Mr. Palyi describes the world-wide tight situation in wheat and shows convincingly that wheat cannot be cheap when there is a tight supply. But wheat is not cheap. How expensive, then, must it become before the admittedly powerful forces making it expensive have exhausted themselves? Guessing roughly I suppose that the U. S. per capita consumption is four bushels. At a certain price, as we all know, people grow thriftier. With bread at 15¢ a loaf, some places 19¢, people probably are growing thriftier. Where is the point at which wheat is high enough? That is a tough question to answer, but it is also the practical question which someone must try to answer.

Another question which should be defined much more exactly than high authorities have been able to do so far is that of money supply and credit. Mr. Palyi makes the point, a very important one, that the 1920 depression was in large part caused by a stringency of money and credit. That is certainly not the case now. But is an absolute lack of money the only necessary cause of a tightening of credit or a reservation of money? It seems to me that there are other causes which may be effective now. The other causes are associated with a lack of desire on the lender's part to lose money and the lack of desire on the borrower's part to jeopardize his equity by too much borrowing. In fact, the very lowness of interest rates, which are supposed to cause inflation because they encourage borrowing, could cause deflation because they discourage lending. The risk to the lender is much greater at 2% and 3% than at 6% and 7%. But the risk to the borrower is great no matter what the interest rates are. Why should a well-founded, well-developed company borrow to build high cost plant, or carry high cost inventory or accounts receivable and thus risk the profits of many years, when they can make a lot of money anyway by confining their operations within their current means? Some businessmen know that the quickest way to bankruptcy can be through expansion.

Well I seem to be writing an article myself, but I have gotten a few things off my chest. My point seems to be: there are still a lot of angles.

WALTER R. GUTMAN.
Goodbody & Co.

New York City, May 2, 1947.

Howard Drummond Dead

Howard Drummond, a member of the New York Stock Exchange for many years, died at his home on May 5 after suffering a heart attack. A former partner in the firm of Carlisle, Mellick & Co., he lately had been an independent floor broker with a desk in the office of De Coppet & Doremus.

With Wood, Gillis & Co.

Special to THE FINANCIAL CHRONICLE

CLEVELAND, OHIO—Glenn H. Johnson is now with Wood, Gillis & Co., Union Commerce Building. He was previously with Ball, Burge & Co. and with the Cleveland office of Hornblower & Weeks.

USA Waiving Veto on World Bank Loans

Voluntary waiving of basic safeguard thought to strengthen Bank President's hand.

WASHINGTON, May 7 (Special to the "Chronicle")—Until Australia becomes a member of the Fund it is ineligible to join the World Bank. Australia has applied for membership in both institutions, and in accordance with the articles of agreement the matter is now being considered by the governors of both institutions, who have before them the recommendations of the two boards of executive directors.

Because Australia is not an "original member," it will have to agree to certain conditions as to quota and subscription, payments on subscription, par values, date of membership, depositing of an instrument of acceptance—with the State Department of the U. S., for that is what the articles of agreement are interpreted to require—and signing of the original articles of agreement now in the Archives of the United States. These are more or less formalities. In fact Australia will be admitted to the Fund, and immediately thereafter to the Bank, on the same footing as all other members. The whole process may consume another fortnight.

Meanwhile, up to May 6, the Bank has taken no steps to hold an election of an executive director representing recent new members, the import of which matter has been discussed previously in these columns.

Railroad Securities

There was a refreshing innovation in railroad reorganization procedure last week. Over the past year or so the financial community had become quite accustomed to agitation to remove roads now in Section 77 from bankruptcy without benefit of reorganization. It has been proposed quite widely that the properties be turned back to the old stockholders for an attempt to arrive at some sort of compromise with creditors. New legislation looking towards that end was introduced again recently.

It has even been suggested in some quarters during the last year that in order to salvage something for old stockholders in these enterprises the contracted interest rates on outstanding bonds be reduced retroactively in order to reduce claims against the estate. Other schemes have been advanced calling for the use of cash to buy in and retire bonds at a discount, ignoring the contractual obligation to pay interest on outstanding debts if it is found that excess cash is available in the treasury.

In short, practically all new reorganization thinking for the past year or so has centered around the theory that the bond holders and other creditors should surrender their rights in order to preserve ownership of, and an equity in, the properties for the old stockholder interests. This despite the fact that in every reorganization consummated to date where the stocks were eliminated the bond holders' claims were not met in full in value of new securities even at the top of the speculative boom.

With this background of hazy thinking the recent proposals with respect to St. Louis Southwestern (undergoing reorganization under Section 77) are particularly gratifying. The company actually proposes to pay off its back interest, and principal in default on publicly held bonds, as a preliminary to discharge from bankruptcy without reorganization, and return of the properties to the old stockholders. This proposal tends to emphasize what can be accomplished for the protection of the interests of all parties when the earning power is really sufficient to warrant participation of the old stockholders. No claim has been made that the interest rate of 5% on junior bonds was excessive under present money market conditions and that it should be reduced to perhaps 3% to the date of bankruptcy. It is not even proposed that the interest rate on the General 5s, 1990 be cut for the future.

The proposal recently filed with the court calls for payment of all back interest on the publicly held 1st Terminal and Unifying 5s, 1952, the General and Refunding 5s, 1990 and the two small leased line Central Arkansas & Eastern 5s, 1940 and Stephensville North & South Texas 5s, 1940. Principal of the two leased line bonds would also be paid in cash as would the principal of the 1st Terminal & Unifying 5s, 1952. The latter issue is not callable but may be paid off at face value in view of the acceleration of principal allowed by the court in 1936 because of the default on interest payments.

The proposal also provides for payment of back interest and 20% of the principal of the $4,500,000 bank loans. The balance of $3,600,000 would be replaced by five-year serial notes with a 2½% interest rate. The Southern Pacific (parent company) holds a note in the amount of $17,882,250, secured largely by pledge of General & Refunding 5s, which it took over from the RFC when the Cotton Belt went into bankruptcy. About half of the unpaid interest on this note would be paid in cash and the balance would be funded in non-interest bearing serial notes. The principal would be funded with 3% serial notes.

It is reported that the proposal would require cash payments of roundly $18 million. In comparison, the company has net working capital of some $25 million which will be increased by cash released from interim earnings. New fixed charges would run to under $2,000,000 which is not much in excess of charges allowed by the ICC in its reorganization plan. On this basis, and considering the large measure of agreement among creditor groups on the plan, there appears to be little reason to question its success.

With Watling, Lerchen Co.

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH.—Alfred B. Moran has joined the staff of Watling, Lerchen & Co., Ford Building, members of the New York and Detroit Stock Exchanges and other leading exchanges.

Ted Weiner Co. Adds

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Mrs. Franke M. Horton and George D. Horton have been added to the staff of Ted Weiner & Co., 41 Sutter Street.

With J. A. Warner & Co.

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—Constantine C. Todis is now with J. Arthur Warner & Co., Inc., 89 Devonshire Street.

Unterberg Outlines Plan To Canvass Unlisted Brokers for N Y Fund

C. E. Unterberg

Members of the Board of Governors of the New York Security Dealers Association yesterday formed a committee to solicit unlisted brokerage firms in the Greater New York Fund's tenth annual campaign, which opened April 29th.

More than 20 Governors of the Association with Clarence E. Unterberg, of C. E. Unterberg & Co., as Chairman, met at the Association's boardroom at 42 Broadway to complete plans.

The Fund seeks "business's share" of the $32,300,000 needed in contributions by local hospitals, health and welfare agencies participating in the Fund. At least $6,000,000 is sought from business in this year's campaign, $1,000,000 more than was raised last year.

Frederick M. Warburg, partner in Kuhn, Loeb & Company, is campaign Chairman and John A. Coleman, Chairman of the Board of the Stock Exchange, and John D. Rockefeller, 3rd, are campaign Vice-Chairmen. T. Jerrold Bryce, partner in Clark, Dodge & Company, is Chairman for solicitation of Manhattan Exchanges.

Members of Mr. Unterberg's committee for soliciting unlisted brokerage firms include: Harry R. Amott, President of Amott, Baker & Co., Inc.; Phillip L. Carret, partner of Carret, Gammons & Co.; Chester E. de Willers, partner, C. E. de Willers & Co., and Frank Dunne, partner, Dunne & Co.

Others included: George Geyer, President of Geyer & Co., Inc.; Irving A. Greene, partner, Greene & Co.; Herbert D. Knox, President, H. D. Knox & Co., Inc.; Arthur Marx, President, Wilson & Marx, Inc.; David Morris, proprietor, David Morris & Co.; John J. O'Kane, Jr., senior partner, John J. O'Kane, Jr. & Co.; H. Winthrop Pizzini, President, B. W. Pizzini & Co., Inc., and Richard C. Rice, partner, J. K. Rice, Jr. & Co.

Others were: Stanley L. Roggenburg, partner, Roggenburg & Co.; John F. Sammon, partner, J. F. Sammon & Co.; George Searight of the Aetna Securities Corporation; Lee D. Sherman, partner, L. D. Sherman & Co.; Herbert Singer, partner, Luckhurst & Co.; Otto H. Steindecker, Assistant Vice-President, New York Hanseatic Corporation; Abraham Strauss, partner, Strauss Brothers, Inc.; Oliver J. Troster, partner, Troster, Currie & Summers, and J. Arthur Warner, partner, J. Arthur Warner & Co.

Alexander C. Nagle, President of the First National Bank of the City of New York and Chairman of the Greater New York Fund's Finance and Insurance Solicitation Committee, gave a luncheon May 2 for the men who will aid him in canvassing concerns in those fields in Manhattan in the Fund's tenth annual campaign.

The guests were members of the group of which T. Jerrold Bryce, partner in the investment brokerage firm of Clark, Dodge and Company, is Chairman. They have organized the canvass of Exchanges, investment and brokerage firms.

In its campaign, the Fund seeks at least $6,000,000 from New York's business community as its share of the $32,300,000 needed in contributions by the hospitals, health and welfare agencies that share in the Fund. Frederick M. Warburg, partner of Kuhn, Loeb & Co., is the Chairman of this year's campaign.

Public Interest in Sound Railroads

By R. B. WHITE*

President, Baltimore and Ohio Railroad Co.

Leading rail executive warns railroads are facing impairment under present condition of higher operating costs and subsidized competition of other forms of transportation. Contends railroads must be permitted to earn a 6% return on investment, if new essential capital is to be obtained for the industry. Cites meager dividend payments to rail shareholders and contends country needs sound railroads, free from malnutrition and starvation.

It is unnecessary to argue the importance of railroads before an audience of this character. The key position of the railroad industry in the national life of this country is today an accepted fact. If there was ever any doubt it was dispelled by World War II. The way the country had to rely upon the railroads in that great crisis to carry the troops and the materials of war, and the manner in which the railroads did the job, overwhelmingly brought home to us all the dependence of our country's welfare, both in war and in peace, upon railroad transportation. The war experience may be said to have been a time when this country rediscovered its railroads. It was a time when the country seems to have become really conscious of their key place in the nation's economy. Likewise, it was a time when the railroad industry was again reassured of its own self-importance. In a word, the situation is that the arteries of rail transportation today and in the foreseeable future, are to the body politic what the arteries of circulation are to a physical body. Impairment of the one is no less fatal than impairment of the other.

R. B. White

Rail Transportation Facing Impairment

In view of all of this, it is hard to believe that today the arteries of rail transportation are facing impairment. They are laboring under conditions which are devitalizing and sapping their strength in a manner which should be a matter of the greatest concern to all of us. I refer particularly to the extent to which railroad income and outgo are now out of balance.

Unlike the income and outgo of unregulated industries, both the revenue and the expenses of this key railroad industry are primarily in the control and determination of the Government. As a result of the processes of these controls, the costs of railroad operation have outstripped income. Costs have spiraled upward in the last few years to such an extent that they cannot be absorbed out of the revenues now obtainable, even though the volume of traffic

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*An address by Mr. White at the Annual Dinner of the Ohio Valley Board of Trade, Wheeling, W. Va., April 30, 1947.

The Railroad Outlook

By R. V. FLETCHER*

Chairman, Transportation Study Committee, Association of American Railroads

Reviewing railroad situation, Mr. Fletcher sees prospect of elimination of car shortages and efficient handling of greatest peacetime traffic. Foresees increased rail revenue of some $548 million as insufficient to give adequate return on railroad investment. Says fixed charges in 5 years have been cut $85 billions and concludes railroad prospect, though not glowing, is not desperate.

Just at present, the railroads, on an annual basis, are handling the heaviest peacetime traffic in their history, though there may be some variations from week to week There would seem to be no good reason for surmising that traffic will diminish in volume within the immediate and foreseeable future.

R. V. Fletcher

As indicating support for this conclusion, the Shippers Advisory Boards have estimated that for the second quarter of 1947, carloadings tendered the railways will exceed actual loadings for the second quarter of 1946 by 33%. Certain pessimistic predictions are sometimes heard as to a possible depression period setting in about the middle of the year, but these prophecies are confessedly highly problematical. I shall predicate what I have to say today upon the premise that the railroads will have in 1947 a volume of business not smaller than in 1946.

Freight Car Situation

Let me deal briefly, at the outset, with the freight car situation. At the present time, no one questions the fact of a freight car shortage. I do not stop to explain the reasons, beyond saying that in the war period freight equipment was used to the very limit of capacity, without a sufficient supply of materials and labor to obtain replacements or even make needed repairs. Since V-J Day, there has been a shortage of materials, particularly steel, and this limiting factor has prevented the acquisition of new cars and to a certain extent the repair of cars in bad order.

In 1946, only 40,377 new freight cars were actually placed in service. Compare this performance with the fact that on April 1, 95,497 new freight cars were actually on order, and on that date 41,200 additional cars were programmed for future order, making a total of 136,697 new cars in contemplation. Assurances believed to be trustworthy have been given by the producers of steel that lead to the conclusion that, beginning on July 1, 1947, a minimum of 10,000 cars per month will

(Continued on page 23)

*An address by Mr. Fletcher at the 35th Annual Meeting of the Chamber of Commerce of U. S., Washington, D. C., April 30, 1947.

Nation's Enormous Growth

Dr. Kuznets traces half-century rise in national income, capital formation, consumption, real estate improvements, and equipment values.

Between 1869-78 and 1929-38 United States national income in 1929 prices increased sevenfold and per capita income more than doubled. This is one of the findings presented by Simon Kuznets, Professor of Economics and Statistics at the University of Pennsylvania and a member of the research staff of the National Bureau of Economic Research, in a new 239-page study recently announced by that organization.

Simon Kuznets

The report, entitled "National Product Since 1869," gives a comprehensive review of United States national income and capital formation between the end of the Civil War and the outbreak of World War II.

Dr. Kuznets estimates that during this period of rapid population growth the labor force increased from 14 million to 50 million, and average annual output per worker rose from $647 to $1,432 measured at prices prevailing in 1929.

Capital Formation Increased Rapidly Up to the 1930's Then Declined

Gross capital formation in 1929 prices increased from about $2 billion a year for 1869-78 to nearly $16 billion a year for 1919-28. Net capital formation, i.e., after allowance is made for replacement, rose from $1,284 million a year in 1869-78 to $7,016 million a year in 1919-28.

Between the close of the Civil War and 1929, taking good years with bad, net capital formation averaged 10 to 15% of national income, according to the study.

During the 1930s capital formation sharply reflected the depression in business. For the decade 1929-38 net capital formation in 1929 prices averaged $1,044 million a year, or one-seventh of the annual average for the preceding decade, and less than in any decade since 1869, according to figures given by Dr. Kuznets.

Consumption Trends Since 1869

The flow of goods and services to consumers, as measured in 1929 prices, increased steadily from $3 billion a year in 1869-78 to $71 billion a year in 1929-38. Taking into account the twofold increase in population, Dr. Kuznets finds that per capita consumption tripled over the 60-year period covered by his figures.

The increase in per capita consumption measured in 1929 prices from $185 a year in 1869-78 to $564 a year in 1929-38 was accompanied by marked shifts in consumer purchases. During the '70s and 80s of last century, Dr. Kuznets finds, 73 cents out of the consumer's dollar went for commodities and 27 cents for services including house rent. Since 1919 the average consumer has spent 64 cents of his dollar for commodities and 36 cents for services.

Despite the appearance of a whole new range of consumer goods, such as automobiles and refrigerators, which could not be purchased in 1869, the American consumer spends relatively less for commodities and more for services than he did in the earlier period. This shift is due, Dr. Kuznets points out, partly to new types of service such as automobile repair, and partly to a shift in the structure of consumer demand resulting from higher levels of per capita income.

Value of Real Estate Improvements Increased Over Threefold

As part of the study, Dr. Kuznets undertook an analysis of the Wealth Censuses from 1880 through 1922, the results of which are also included in the report.

The total value of real estate improvements in the United States, adjusted for price changes, increased over threefold, from $27 billion in 1880 to $117 billion in 1922, the most recent date for which wealth data have been collected. Of the total value of real estate improvements in 1922, measured in 1929 prices, $35 billion consisted of residential property, $21 billion of railroad property, $14 billion of factory buildings, and $12 billion of agricultural improvements. Public and other tax-exempt improvements amounted to $11 billion.

Value of Equipment Rose Eightfold

Total value of equipment in 1929 prices increased almost eightfold between 1880 and 1922, from under $5 billion to over $40 billion. Of the latter total manufacturing equipment accounts for $16 billion and railroad equipment for $5 billion.

In projecting these figures through the end of 1938, Dr. Kuznets estimates that real estate improvements and equipment together totalled $184 billion at the end of the 1930s compared with $158 billion in 1922 and $32 billion in 1880.

Between the end of World War I and the outbreak of World War II, the value of real estate improvements and equipment in agriculture and in mining and manufacturing declined, even after allowance for price changes. This decline was more than offset by increased investment in other types of industry, in residential property, and in tax-exempt property.

With Klehmet & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Hans Klehmet II has joined the staff of Klehmet and Co., 650 South Spring Street. Mr. Klehmet was previously with Gross, Rogers & Co.

A. J. Todd to Open

BUFFALO, N. Y.—A. J. Todd will conduct a securities business from office at 435 Ellicott Square. He was formerly connected with Otis & Co. in Cleveland.

Status of Gold Clause With Fund And Bank

Although World Bank is on dollar standard, it may require borrowers to accept gold clause, as protection against devaluation.

WASHINGTON, May 7 (Special to the "Chronicle"). The International Monetary Fund by its articles of agreement requires borrowers to protect the Fund against loss in gold value of currencies held by the Fund. In effect, the Fund operates on a gold basis. Incidentally, the U. S. Supreme Court decision on the gold clause apparently does not invalidate the obligation which the United States, through the Congress, has accepted in signing the Bretton Woods Fund agreement. By the latter's terms the U. S. would have to indemnify the Fund in the event the dollar were devalued to an extent necessary to maintain the gold value of the Fund's holdings of dollars.

The Bank agreement does not envisage the use of the gold clause in contracts between the Bank and borrowers. The Bank, which keeps its accounts in U. S. dollars, in effect is on the dollar standard. But the Supreme Court decision referred to above does not apply to contracts between the Bank and its borrowers. In other words, the Bank would be free to require borrowing countries to accept the gold clause. A borrower may obtain from the Bank a loan of both U. S. dollars and other currencies. The Bank would naturally want to protect itself against depreciation of the other currencies in terms of the U. S. dollar, for the reason that its books are kept in dollars. Conceivably it also might wish to protect itself against devaluation of the dollar. But since the Bank's loans will be made only partly out of gold and dollars paid in as the first 20% of members' subscriptions, and primarily out of monies which the Bank borrows in the American investment market, the Bank may not feel under the same obligation as the Fund to protect itself against devaluation of the dollar.

In the the negotiations of the Bank with France, it is said, the matter of a gold clause was brought up and then dropped.

E. C. Rogner With Stanley Heller & Co.

Edward C. Rogner, formerly with G. H. Walker & Co., has joined the trading department of Stanley Heller & Co., 30 Pine Street, New York City, members of the New York Stock Exchange.

Canadian Securities

By WILLIAM J. McKAY

Canada's growing realization of the responsibilities of national adulthood is directing belated attention to domestic problems previously ignored. It had long been recognized that despite the immeasurable extent of the Dominion's natural resources, the scope of development was definitely limited by the population factor. Of recent years, moreover, this problem has become of international as well as of domestic importance.

In a world where many hitherto prosperous areas now face the composite problem of dwindling natural resources and redundant populations, the enormous unexploited riches and the vast empty spaces of Canada assume new significance. The old concept of a habitable Canada confined to a narrow belt along the U. S. border has also been rudely shattered as a result of wartime developments. With mining, industry and even agriculture already established in the new "Empire of the North" the Canadian myth of "our northern wilderness of rock, trees, and swamps" no longer has any meaning.

Consequently it is only fitting that the Dominion's great statesman, Prime Minister Mackenzie King should be the first to announce Canada's intention to formulate a long overdue immigration policy. Although the initial steps are limited in character the Canadian Premier made it clear that the Dominion authorities are fully conscious of the necessity of a long range plan with the widest possible scope. The long range program does not envisage an uncontrolled mass immigration which would tend to produce a fundamental alteration in the character of the people and the first restrictive measure contemplated is the limitation of entry of Asiatics.

This constructive action should mark another significant milestone in Canadian history and the course of Canada's progress should henceforth parallel that of its great southern neighbor following the vast European exodus half a century ago. Today the urge to migrate, together with the lure of the unexploited wealth of the Canadian North, the fertile empty valleys of northern British Columbia and the rich empty tracts of the Peace River district, serve to provide an automatic solution of Canada's greatest problem.

Viewed from the external angle it is also evident that this new policy could contribute materially to the solution of the British economic problem. Already important British industries have established plants in Canada but it should be possible to formulate a definite British-Canadian long range plan on a mutually profitable basis whereby British factories together with skilled British personnel could be installed in the Dominion. Eventually such a plan could be extended to include other European countries whose economic resources are proving to be inadequate to support existing populations.

That the Canadian authorities are now fully aware of the international as well as the national importance of this question is quite clear from the personal enunciation of the new policy by the Canadian Prime Minister and the statement that "we cannot ignore the danger that lies in a small population attempting to hold so great a heritage."

During the week the external section of the market was generally dull and inactive. Albertas were slightly better on a small demand and the New Brunswick five-year 2¼s were still in supply. The reason for the indifferent reception given to this new issue is undoubtedly the fact that as a result of recent legislation the Province of New Brunswick anomalously failed to qualify for inclusion on the New York Savings Banks' legal list; it is understood that early steps will be taken to rectify this situation.

Internal bonds continued to maintain their recent gains and in view of the probable stiffening of free funds as a result of tourist traffic demands and the cessation of the recent special liquidation these securities are likely to register further improvement.

Canada's Dollar Shortage

Norman A. Robertson, Candian High Commissioner in London, lays Canada's dollar problem to credits given Britain and Western Europe on Canadian purchases. Looks for remedy in restoration of multi-lateral trading and Sterling convertibility.

In an address before the Canadian Chamber of Commerce in the United Kingdom at London, on April 24, 1947, Norman A. Robertson, High Commissioner for Canada to Great Britain, ascribed the present unfavorable Canadian exchange situation to heavy exports from Canada to Britain and Western Europe on a credit basis. In the course of his remarks, Commissioner Robertson stated that "as you know, the bulk of Canadian exports to the United Kingdom are being bought on credit. During the war, through the Mutual Aid appropriations and other measures, we provided the United Kingdom with Canadian funds to finance the enormous flow of goods which came from Canada. We look forward eagerly to the day when Canadian trade with the United Kingdom will return to a normal trading basis. But, in view of the straightened financial position of this country caused by the whole-hearted and drastic sacrifices it made in the course of the war, that day is still some distance off. In the meantime, our country has extended a loan of one and a quarter billion dollars so that the flow of goods from Canada need not be interrupted.

Copyright by Karsh
N. A. Robertson

"We believe the extension of this credit to be in our own interests. It is an investment in the economic recovery of one of our oldest and best customers. It should not be imagined, however, that such decisions can be lightly taken by a country in Canada's position. Last year Canada had an export surplus of approximately four hundred million dollars. During the same period, the credits which we have granted to the United Kingdom and to other countries, particularly in Western Europe, were drawn on to the amount of approximately eight hundred million dollars. Since much of this money could be, and was ultimately and indirectly spent, in the United States, it has aggravated our own shortage of United States funds. For we, like the United Kingdom, have a dollar problem which always requires watching. You will know from the address delivered before this Chamber by the President of the Board of Trade that the United Kingdom is attempting to restore equilibrium in its balance of payments by directing exports to hard-currency countries.

"Our own dollar problem is made the more serious because we have deliberately endeavored to direct our exports to friends and allies who need this aid in the slow process of their own upbuilding and recovery. We are selling on credit to the United Kingdom and the countries of Western Europe. The deficit which we have incurred in the United States has risen sharply because of increased imports. Since the end of the war we have contrived to maintain virtually full employment in Canada with all the advantages that flow from it. As a result, however, there has been a swollen demand for goods from across the border and this trend may be expected to continue as long as we have a high level of employment and income.

"The predicament in which we now find ourselves is of our own devising. We have deliberately run the risk of a shortage of United States dollars in order to assist in the recovery of the United Kingdom and Western Europe. But it is clear, as the Governor of the Bank of Canada observed in his recent report on the Bank's operations, that 'Canada cannot continue indefinitely to sell on credit in overseas markets while she is incurring a substantial cash deficit in her balance of payments with the United States.'

"The only complete and satisfactory solution of Canada's dollar problem would be the restoration of multilateral trading with freely convertible currencies. Then we could use the proceeds of our trade surplus with the United Kingdom and other countries to finance our trade deficit with the United States. We realize, however, that countries which have suffered most from the war cannot be expected to undertake at once the obligations of multilateralism unless they receive assistance. That is the function of our export credits. But essentially they must be seen as a stop-gap measure, as a contribution to the creation of a multilateral system, which we believe is not only in our own interest but in the interests of the United Kingdom as well and indeed of all other major trading nations. Such a system cannot be restored unless the deliberations which are now going forward at Geneva have a successful issue and it for that reason that the Canadian Government has supported so whole-heartedly the proposals for and International Trade Organization."

Harrison & Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, ILL. — James A. Woodburn has become associated with Carter H. Harrison & Co., Talcott Building. Mr. Woodburn was formerly Rockford representative for Dempsey & Co. and prior thereto was with Sills, Minton & Co. and A. C. Allyn & Co.

Phillips With Mason, Moran

(Special to THE FINANCIAL CHRONICLE)

MUSCATINE, IOWA—Sherwood R. Phillips has become associated with the Chicago investment firm of Mason, Moran & Co. Mr. Phillips was previously local representative for Dempsey & Co.

With Bache & Co., Boston

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Julia G. Slattery has been added to the staff of Bache & Co., 21 Congress Street.

Temporary Price Cuts No Answer: Willis

President of Grocery Manufacturers says real benefits from price reductions can come only from reduced costs and operating expenses.

Characterizing as "hysterical" the temporary price cuts on a community wide basis, Paul S. Willis, President of the Grocery Manufacturers Association of America, on May 4 stated permanently lower prices cannot be created "on the spur of the moment" and he urged as a better remedy for achieving real benefits from price reductions an overhauling study of materials costs and operating expenses. This, he said, would afford a better means and gear price reductions to a long range point of view.

Paul S. Willis

Mr. Willis has just returned from a study of business and food conditions on the Pacific Coast. Food prices have passed their peak, he stated, and are gradually moving lower, but over-all lowering of prices is not now practical because neither materials costs nor wages have come down.

He announced that food producers are engaged in an intensive study of costs to achieve lower prices and some reductions have already been made by individual manufacturers. These cuts, however, are the result of cutting expenses and increasing efficiency and are not due to any lowering of materials, freight and other costs.

Debt Adjustment Plan for Colombia Units

The Foreign Bondholders Protective Council, Inc., of New York, released on May 3, advices to the effect that announcement has been made in Bogota, Colombia, by Esteban Jaramillo and Carlos Lleras Restrepo, members of the Debt Mission, appointed at the suggestion of the President of Colombia by the Governors and Alcaldes concerned, of the proposed plan which was negotiated last month with Mr. Rogers, President of Foreign Bondholders Protective Council, Inc., for bond adjustments of the six Departments and two Cities. The Council under date of May 3 added:

The plan proposed would provide for the issuance of new bonds by the original obligors, the Colombian Government to guarantee the payment in dollars of interest, sinking fund, and principal. It would also provide:

As to interest arrears—Issuance of a new 3% bond for $200 in exchange of all interest arrears on each $1,000 bond; As to current interest—3% per annum after the plan becomes effective; As to sinking fund—⅜ of 1% for the first five years, and 1% thereafter.

It is understood that the proposed plan has been submitted by the Debt Mission to the Governors and Alcaldes of the Departments and Cities concerned, and that they in turn will present the proposal to their respeetive Assemblies and Councils for approval. The Colombian authorities have given assurance of their confidence that approval will be forthcoming by all entities concerned.

There are 11 issues involved of the six Departments (Antioquia, Caldas, Cauca Valley, Cundinamarca, Santander and Tolima) and two Cities (Cali and Medellin), all in default for approximately 15 to 15½ years, with outstanding bonds reported by the fiscal agents of $59,988,000 for the Departments, and $13,409,000 for the Cities. It is believed that purchases have reduced the total amount held by the public to a figure in the neighborhood of $40,000,000.

Foreign Bondholders Protective Council, Inc., considers the terms proposed as reasonable and fair. Therefore, when an offer is made under the plan proposed, the Council is prepared to recommend it to the favorable consideration of the bondholders."

Edw. C. Krupka Now With Martin, Burns & Corbett

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — Edward C. Krupka, for many years with Halsey, Stuart & Co. has become associated with Martin, Burns & Corbett, Inc., 135 South La Salle Street, members of the Chicago Stock Exchange.

Gregg, Storer Co. Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS. — Russell G. Browning has been added to the staff of Gregg, Storer & Co., Inc., 35 Congress Street.

With Cray, McFawn & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—Ray C. Jennings has become associated with Cray, McFawn & Co., Ford Building, members of the Detroit Stock Exchange. He was recently with Kales-Kramer Investment Co. and prior thereto was with Smith, Hague & Co.

Blames Industry for High Prices

Gael Sullivan, Executive Director of the Democratic National Committee, tells "fellow Democrats" the "real culprits" are the basic manufacturers. Cites Chester Bowles in claim Republican irresponsibility has cost American public $8 billions in 10 months.

In the first issue of "Capital Comment," a circular addressed to "Fellow Democrats," by the Democratic National Committee and signed by Gael Sullivan, its Executive Director, the blame for high prices is put on the "basic manufacturer," and President Truman is extolled as "the only leader in the effort to cut them back within reason.

Gael Sullivan

"But he has no real authority," the letter continues. "He can only use moral suasion. At present a concentrated publicity campaign is being carried on by Cabinet Officers under the President's direction to put the heat on the basic manufacturers.

"These are the real culprits. Retailers in general are willing to cooperate—they are exposed to the wrath of the buyer and they respond to pressure. Witness the action of Macy's—the world's largest department store and several other large stores around the country.

"But retailer's cuts provide but slight alleviation. Only if basic manufacturers like steel, automobiles and the manufacturers of durable goods, come up with substantial price slashes will any real saving be passed on to the consumer.

"For instance, one clothing retailer who sells moderately priced suits, said his profit was about $3 on a suit. He was willing to cut his profits per suit in half but pointed out that $1.50 was no substantial saving. If the woolen manufacturers, the lining manufacturers, the button makers, etc., each made basic cuts he could finally decrease his price to the buyer by an appreciable margin.

"Prices in all lines have shown a steady rise since 1939. For instance, using 1926 as the basic index of 100, the wholesale price of all commodities in 1934 was 75. By December, 1941 (U. S. declaration of war) it had moved up to 93.6. The increase for the next three years, due to controls, was slow, prices going up to 105.7.

"After controls were lifted under Republican pressure, price rises really became noticeable. In December, 1946 the index was 104.9. In January, 1947, the index was up to 141.5, then up to 144.6 in February and finally to 149.4 by the end of March, 1947.

"In other words what could be bought for a dollar in 1926 and which had dropped back to 75 cents in 1939 now costs about $1.50. . . . Almost exactly doubled since 1939 and still moving upwards.

"The following table shows the rise in food prices since just before the Republican-forced lifting of controls until the present time:

Item	June 18, 1946	March 15, 1947
5 lbs. flour	31.9	44.5
1 lb. butter	61.0	82.9
1 qt. milk (delivered)	16.4	19.3
1 qt. milk (grocers)	15.5	18.3
1 doz. eggs	51.0	60.6
1 lb. round steak	41.7	68.2
1 lb. pork chops	37.5	72.1
1 lb. bacon, sliced	41.8	77.0
1 lb. coffee	30.7	47.0
1 lb. sausage	39.3	53.6
1 loaf bread (lb.)	10.6	12.1
1 lb. margarine	24.1	43.9

"These figures and the food dollar today are proof that prices are still going up.

"Chester Bowles, former Director of Economic Stabilization, in an article in 'The Democratic Digest' this month significantly lays this responsibility directly in the lap of the Republican Party. Here are a few excerpts from his article: 'Republican irresponsibility has cost the American public $8 billion dollars in the last ten months—and the bill is mounting fast. That staggering sum was paid by the American housewife and businessman in the form of unnecessarily higher prices as a direct result of the Republican Party's sabotage of price controls last June. . . . The sabotage of effective price control last June was the climax of years of bitter opposition. The truth is that they fought economic stabilization from the beginning. . . . During the war years, out of 17 crucial votes on price control, the majority of the House Republicans voted 16 times for inflation. . . . The Republican record in the Senate was almost as bad. . . .'

"Republican responsibility for these rising prices is clear. It must be pinned in the right place. The tendency among Republicans is to blame the Executive.

"Shabbiest show of the week is that of GOPster Robert A. Taft, who as Chairman of the Republican-dominated Senate-House Committee on the Economic Report, is now trying to make motions like a man not directly responsible with a few other 'selfish and irresponsible men' for the present high prices.

"A year ago Taft fought to lift price controls. He violently denounced Chester Bowles, then Economic Adviser to the President, and helped jam through the Congress the unworkable price control bill that finally resulted in price chaos and ultimate lifting of the ceilings on most items. Prices have soared as a result.

"Senator Taft now indicates a qualified agreement with President Truman on the thesis that prices are too high. Qualified agreement! Does Taft read the papers?

"Here is a quote from Republican Senator Taft that might be of use to you in speeches and in discussion. It illustrates Republican responsibility.

"Taft (R.-Ohio), June 30, 1946: 'All we want to prevent during the next six months are the speculatives rises in price over and above the increase in costs.' "

Wehrheim Appointed By Phila. Natl. Bank

PHILADELPHIA, PA.—Robert V. Wehrheim has been appointed manager of the municipal bond department of the Philadelphia National Bank, it is announced by the bank.

Mr. Wehrheim was formerly municipal manager of Lazard Freres & Co. in New York, and prior to that time he was associated with the New York and Chicago offices of A. G. Becker & Co. Incorporated.

Fund Official Returning

WASHINGTON—E. M. Bernstein, acting director of research at the International Monetary Fund presently in London, will return to Washington within a few days.

Opens in Scarsdale

SCARSDALE, N. Y.—Paul T. Sullivan is engaging in the securities business from offices at 5 Autenrieth Road. Mr. Sullivan was formerly with the White Plains office of Francis I. du Pont & Co.

Credits for China

WASHINGTON, May 7 (Special to the "Chronicle")—Behind the scenes the Chinese Government and the State Department are doing what they can to further credits to China under the Truman Doctrine. In U. S. Government meetings on the subject the State Department, however, does not have the support of other departments and agencies concerned, who take a jaundiced view of pouring funds into so dubious an economic proposition as China today. The Chinese are said to feel that, on the basis of relative importance, if Greece and Turkey are "worth" $400,000,000 of American money, China is worth $2,000,000,000.

The $500,000,000 of Export-Import Bank lending capacity, which has for many months been earmarked for China at the request of then Ambassador Marshall, is scheduled to become free for use in other quarters unless a change in American Government policy occurs.

Cuban Sugar Crop

The current 1947 Cuban sugar crop, estimated at the record figure of 6,137,000 short tons, is being harvested at a rapid rate under favorable conditions, according to cable advices received by Lamborn & Company, Inc., sugar brokers.

Should the estimate of 6,137,000 tons be attained, it will surpass the record crop of 5,894,000 tons produced in 1925. Last year the outturn amounted to 4,476,000 tons.

Production since the start of grinding to April 30 this year, approximated 5,021,000 tons as against 3,968,000 tons to the same date last year and 4,936,000 tons to April 30, 1925.

During the month of April this year production totaled 1,484,000 tons as against 1,288,000 tons for the same month last year and 1,170,000 tons during April of 1925.

Of the 160 mills that have been operating this year, 13 completed grinding by May 6, according to the Lamborn advices. Last year, of the 161 mills that participated in the crop, 72 had finished by the same date.

High Prices Due to Tripled Money Supply

National City Bank "Monthly Letter" also points out rise in wages and industrial costs as contributing causes. Criticizes comparisons of present prices with abnormal and depressed prewar levels.

In the May issue of the "Monthly Bank Letter," published by the National City Bank of New York, an analysis is given of present price level and its causes. According to the Bank:

"The primary cause of the price rise has been the tripling of the money supply, as a result of the wartime expansion of bank deposits and currency in circulation. This money was created mainly by government borrowing from banks. The goods for which it was spent in the first instance were largely destroyed, but after the borrowing ceased the money remained, while the supply of goods available was insufficient for buyers' wants. The pressure of money and wants forced prices to a new high level. A second main cause was the rise in wages and industrial costs. These and other contributing factors operated in the familiar spiral fashion, one man's prices representing another's costs, and so around the circle.

"If all prices and incomes rose in the same degree no one would be priced out of the market, the exchange of goods and production could go forward, and the situation would excite no special apprehension. But as in all past inflations, the rise has been uneven. Some prices have lagged and the incomes of a good many groups of the population have lagged. Those who have lagged have lost purchasing power. In short, the balance has been disturbed. Some people cannot buy the products of other people.

"Most of the difficulties of the current inflation are traceable to the unevenness of the rise from one price level to another. The problem now is to get prices and incomes into better relationships on some new level. It is safe to say that the new level will be substantially higher than in 1939, giving effect to money and wage factors. But it must also be expected that it will be below the present average level, for the prices which have risen the most—in this case farm prices—already have declined and in time are expected to drop further. Resistance to many other prices is marked. In any case, an effort to adjust all prices to the highest prices would be impracticable. It would cause further great distortions.

What Prices Are Too High?

"People who hear it said that prices are too high should ask two questions: 'What prices?' and 'Too high in relation to what?' Wheat is four times its prewar price, but steel is up only 28%. Food prices, according to the wholesale price index of the Bureau of Labor Statistics, April 19, were 130% above the 1939 average. This increase compares with a 132% rise shown at the peak in 1920 over the 1913 average. Farm products as a whole on April 19 were 169% above 1939; at the peak in 1920 they stood 138% above 1913. All commodities other than farm products and foods were 63% above 1939, while at the 1920 peak they were 144% above 1913. In the later '20s food prices stabilized at about 56% above 1913 (the 1926 index), farm products 40% higher, and other commodities 43% higher.

"On this showing the rise in farm products has exceeded that of World War I, the rise in foods has been as great, but the rise in non-farm products is less than half as much. Although in 1939 farm products were too low, the figures nevertheless indicate which commodity groups are now 'too high.' In terms of 1939 relationships, farm products are nearly 70% higher than non-farm prices. They are also the most influential group in the cost of living.

"No one has yet suggested any way of bringing farm prices down except through the operation of free markets, and no one need doubt that free market forces in due course will have that effect, for a demonstration has been given in the price declines of the

(Continued on page 40)

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Insurance Stocks

The decline in fire insurance stocks since their highs in early 1946 has been approximately 21%, as measured by Standard & Poor's weekly index. As a result, they are at a particularly interesting level, in view of the favorable long range prospects for well managed companies. Carefully selected stocks would appear to warrant the serious attention of prudent long-term investors, desirous of obtaining good dividend yield combined with prospects of capital appreciation.

Based on average figures of a group of 30 representative fire insurance stocks, one dollar invested at current market will buy a dividend yield of 4.4%, $1.54 of liquidating value and an underlying earning yield of 5.6%. Stated conversely, $1.00 of liquidating value can be bought for $0.65, and the stocks are selling at 17.8 times 1946 earnings.

The dividend yield is attractive and liquidating values are cheap, but the market-to-earnings ratio is high, on account of poor underwriting results in 1946 occasioned, principally, by high fire losses and low premium rates. This situation, however, is not permanent but temporary. Rates are already beginning to move up, and abnormally high fire losses will eventually subside to normal relationships. Furthermore, although underwriting profits were lower in 1946 than in 1945, aggregate net investment income was approximately 10% higher, and in fact reached the highest level in the history of the companies.

Figures for each of the 30 stocks are given in the accompanying tabulation:

	1946 Total Net Oper. Earnings	Annual Divid. Rate	Liquid. Value 12/31/46	Asked Price 5/2/47	Earn. Yield	Divid. Yield	Liquidating Value per Dollar of Market
Aetna Insurance	$3.78	$1.80	$78.39	$51	7.4%	3.5%	$1.54
Agricultural Ins.	4.05	3.50	112.43	77	5.3	4.5	1.46
Am. Equitable Assur.	1.03	1.00	41.06	17¼	6.0	5.8	2.38
Bankers & Shippers	5.86	4.00	133.60	75	7.8	5.3	1.78
Boston Insurance	3.43	2.20	84.90	68½	5.0	3.2	1.24
Continental Ins.	4.22	2.00	66.86	48¾	8.7	4.1	1.37
Fidelity-Phenix	4.81	2.20	74.57	52	9.3	4.2	1.44
Fire Association	2.75	2.50	88.70	51	5.4	4.9	1.74
Fireman's Fund	7.81	3.00	123.06	92¼	8.5	3.3	1.33
Firemen's Ins.	1.19	0.50	22.58	13⅛	9.1	3.8	1.72
Franklin Fire	0.42	1.00	29.02	21¾	1.9	4.6	1.33
Glens Falls Ins.	3.81	1.60	58.27	45¾	8.3	3.5	1.27
Great American Ins.	1.78	1.20	44.66	28½	6.3	4.2	1.56
Hanover Fire	1.04	1.20	43.66	25½	4.1	4.7	1.71
Hartford Fire	4.44	2.50	138.07	104¼	4.3	2.4	1.32
Home Insurance	1.69	1.20	37.96	26⅜	6.7	4.6	1.44
Ins. Co. of N. A.	5.26	3.00	108.66	94½	5.6	3.2	1.15
National Fire	0.10	2.00	90.74	50	0.2	4.0	1.81
Nat'l Liberty Ins.	0.09	0.30	8.96	6⅜	1.4	4.7	1.41
New Brunswick Fire	—0.41	1.50	39.59	27	—1.5	5.5	1.46
New Hampshire Fire	1.68	2.00	54.07	47	3.6	4.3	1.15
New York Fire	0.83	0.80	38.94	13¼	6.3	6.0	2.18
North River Ins.	1.79	1.00	31.01	22¼	8.0	4.5	1.34
Paul Revere Fire	0.33	1.20	33.81	24¼	1.4	4.9	1.40
Phoenix Insurance	3.50	3.00	119.70	83	4.2	3.6	1.44
Prov. Washington	3.07	1.40	54.09	36	8.5	3.9	1.50
St. Paul F. & M.	5.69	2.00	75.05	71	8.0	2.8	1.06
Security Insurance	—2.05	1.40	51.39	28	—7.3	5.0	1.83
Springfield F. & M.	10.88	4.75	166.48	113½	9.6	4.2	1.46
U. S. Fire	4.75	2.00	75.63	52	9.1	3.8	1.45
Westchester Fire	2.82	1.60	46.90	34½	8.2	4.6	1.36
Average of 30					5.6%	4.4%	$1.54

Highest dividend yield is 6.0% by New York Fire; however, its earnings in 1946 only just covered dividends. Net investment income amounted to $1.52, but underwriting produced a loss of $0.69. Lowest dividend yield is 2.4% by Hartford Fire; in this case the dividend was well covered by earnings, though these were lower than usual due to losses by Hartford's casualty affiliate.

It will be observed that the following companies did not cover dividends by total net earnings: Franklin, Hanover, National Fire, National Liberty, New Brunswick, New Hampshire, Paul Revere, and Security. In each case, however, the trouble was with underwritings, for net investment income alone was more than adequate.

Dividend coverage considerably above the average ratio of 1.3 was reported by: Aetna, Continental, Fidelity-Phenix, Fireman's Fund, Firemen's (Newark), Glens Falls, Great American, Hartford, Insurance Company of North America, North River, Providence-Washington, St. Paul, Springfield, U. S. Fire, and Westchester.

It will be noticed that the liquidating values of two stocks, viz. American Equitable and New York Fire, can be bought for less than $0.50 on the dollar. This does not necessarily mean that they are bargains which should be snapped up; neither does it follow that because Insurance Co. of North American and St. Paul Fire & Marine are selling very close to their liquidating values, that they are priced too high. A study of the comparative earnings of these companies over the past five to ten years will make clear the reason for such disparities.

Underwriting profits or losses in any one year are not necessarily of significance. But the underwriting experience of a company over a period of years is of vital significance. For although dividends are predicated almost entirely on net investment income, and with most leading companies are kept moderately within this figure, underwriting results over the long term are of paramount importance, if a company is to stay in business. Year after year they are ploughed back into surplus, together with any excess of investment income over dividends, and provide a strong growth factor, manifested in a long-term expansion of capital funds and of liquidating values, enabling a company to write an increasing volume of business and to augment its investment portfolio and consequently its investment income.

Inasmuch as fire insurance stocks are largely purchased as long-term investments, these important long-term trends obviously should be studied with a critical and discriminating eye.

USA Waiving Veto on World Bank Loans

Voluntary waiving of basic safeguard thought to strengthen Bank President's hand.

WASHINGTON, D. C. — (Special to the "Chronicle") — It is understood that the American executive director has conveyed to the World Bank the decision of the National Advisory Committee to waive its right to pass individually upon loans of American dollars made by the World Bank, a right set forth in the Bank agreement. It will be recalled that during the Bretton Woods hearings, when objection was made that the Bank would be made up largely of an institution of borrowers lending American money, the Administration pointed out that we would be safeguarded in two ways: (1) by the fact that the USA has the largest voting power in the Bank; and (2) that the BW Conference specifically wrote into the agreement a provision that no member country's currency may be lent without its consent.

Inasmuch as the entire first 2% of the called-in capital had to be paid in gold or U. S. dollars, the Bank may lend such funds without specific approval of the United States, other than that of its votes cast in the Bank. But with regard to the next 18% of the Bank's capital which has been called and out of which it is expected the Bank will make some of its early loans, insofar as this consists of U. S. dollars, the United States holds a veto power, to be exercised when desired by the National Advisory Committee. The recent decision to waive this right is understood to stem from a recommendation to that effect made last December.

It may be argued now, although the force of the argument is not self-apparent, that this waiver strengthens the hand of the Bank's president. Thus far there has been no announcement or public explanation of the decision.

S. E. Freese & Co. Formed in El Paso

EL PASO, TEX.—Sara E. Freese has formed S. E. Freese & Co. with offices in the Mills Building as successor to J. S. Curtiss & Co. Miss Freese will deal in corporate and municipal bonds and stocks specializing in New Mexico, Arizona, and West Texas municipals and all Southwestern issues.

Warns Business on Pricing

Committee on National Policy of National Planning Association, headed by Beardsley Ruml, warns today's abnormal conditions severely limit automatic regulation of prices by market, and recent price developments emphasize need for increased vigilance by business to avoid severe crash due to accumulated consumer resistance.

In a statement issued by the Business Committee on National Policy of the National Planning Association, whose chairman is Beardsley Ruml, Chairman of R. H. Macy & Co., New York City, a warning is given to business to study and put into effect orderly price adjustments in order to enable consumers to buy all the goods produced.


Beardsley Ruml

"Businessmen cannot assume that because current market conditions—including an unprecedented volume of liquid assets—make higher prices and higher profits possible such prices and profits are therefore desirable," the statement points out. "A higher price should result in expansion of output, but when widespread shortages hamper output, as they have since the war's end, the law of supply and demand works too slowly to provide an effective antidote for high prices."

The statement then continues: "In distribution, the limitation of supply has removed the normal business opportunity to expand sales through price reductions. In production, the shortages of materials and parts have had a similar result. In construction, the restriction due to shortages is reinforced both by the abnormal level of prices and by the cost uncertainties caused by the absence of firm prices. As a consequence, the high profits yielded by today's high prices cannot have their normal result of securing reasonably prompt expansion of investment in plant and equipment. All that excessive prices do is drain off today's purchasing power and dry up tomorrow's market.

"Today's abnormal conditions severely limit the reliance that can be put on the semi-automatic regulation of prices by the market, and correspondingly increase the responsibility of businessmen. These abnormalities have resulted in altogether too many instances of dangerous pricing practices. Many prices today are badly out of line and must be brought down as rapidly as orderly readjustment makes possible. The alternative to such a readjustment now is a serious price slump later, with damage not to business alone but to the country as a whole.

"Businessmen thus have an obligation, to themselves and to the country, to look hard at the prices they are charging and the prices they are paying, and to start now to bring down any that are too high. This is an obligation that has its counterpart for labor, for agriculture, and for government. In every area of the economy, policy must be geared to long-run objectives. These objectives can be put very simply.

"Prices must be low enough

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Newburyport Plan Ineffective

Secretary of New York Commerce and Industry Association says stabilization of business, industry and labor at the source is only key to lower prices.

Commenting on the campaign for price reductions, Thomas Jefferson Miley, Secretary of the Commerce and Industry Association of New York, Inc., issued on May 1 the following statement:

"The Commerce and Industry Association of New York, Inc., is in hearty agreement with President Truman that prices should come down, but it does not believe, however, that the Newburyport Plan or similar programs in vogue or projected can achieve that end on a nationwide basis.


Thomas J. Miley

"The retailer is on but one level of the entire price scale. There is more to general price reduction than grandiose 'bargain weeks,' 'fire and clearance sales,' or 20% cuts on merchandise that cannot be moved otherwise.

"The ultimate price to the consumer of any commodity is fixed on the basis of cost all the way down the line—cost to the retailer, the jobber, the wholesaler, the manufacturer, the producer. And far back at the original source, as it is in every step of the process of manufacture and distribution, is the cost of labor.

"Of the many factors involved in cost, wages head the list. Only when wages are stabilized can costs be stabilized; as a consequence, prices become stabilized. When that goal is attained, then the nation can look to increased productivity to bring about price reductions.

"It is elementary that the profit motive is the basic factor in the establishment and maintenance of American business. The degree of profit varies with the type and volume of the business. But no merchandiser can overcome the simple economic fact that, in order to remain in business, goods must be sold at a profit.

"Stabilization of business, industry and labor at the source is the only key that will open the door to lower prices on a national scale. Continuing pressure for wage increases which, of economic necessity, must be reflected in costs, will hardly aid the process. Neither will a 'labor-be-damned' policy on the part of business.

"Labor and management, through sincere cooperation and mutual understanding of each other's problems, can establish a basis that assuredly can and will knock out the props from under the threatening spiral of inflation. Each has assumed and must maintain its share of responsibility for keeping alive and dominant the American system of private enterprise. Each should bear in mind that cooperation is elastic and should not be stretched to the breaking point.

"While the Newburyport Plan, as an elaboration of the 'bargain week', is not the cure-all its proponents prophesied, the reason for its being is a strident warning that the American buying public intends to make itself heard and felt. Labor, as well as management, must heed it."

Corporate Working Capital at New High

Large increase in total current assets, reflecting record inventories at high prices.

PHILADELPHIA, PA.—Corporate net working capital* reached a new high in the fourth quarter of last year, estimated at $57.3 billion as of Dec. 31, 1946, according to the quarterly analysis made public May 6 by the Securities and Exchange Commission. During 1946, working capital increased by $4.7 billion, about three-fourths the record increase in the preceding year and about the same as in 1941.

The increase in net working capital reflected a large increase in total current assets amounting to $7.0 billion while total current liabilities rose by $2.3 billion. This may be contrasted with 1945 when the $6.4 billion increase in net working capital was explained by a large reduction in current liabilities of $7.1 billion with current assets dropping $700 million.

Liquidity Declined

Working capital at the end of December was not in as liquid a form as in the preceding year. Cash and U. S. Government securities accounted for close to two-thirds of net working capital, the lowest proportion since the end of 1941. By far the largest change in any of the items of current assets and liabilities was the record $8.6 billion increase inventories to a level of $35.3 billion. This increase reflected to a considerable extent the substantial rise during 1946 in the prices paid for goods included in inventories. Also during last year, there was a considerable expansion of notes and accounts receivable, other than from the U. S. Government, amounting to $7.6 billion to a level of $29.9 billion. Partly offsetting these extremely large increases, corporations liquidated approximately $6.2 billion of U. S. Government securities, reducing their holdings to $15.0 billion, about 30% below the amount held at the beginning of the year. As for the other items of current assets, receivables from the U. S. Government dropped $2.0 billion leaving $700 million still outstanding, and other current assets declined by $700 million, mainly attributable to the liquidation of claims on the U. S. Government for refundable taxes. Corporate holdings of cash and deposits at the end of 1946 amounted to $21.8 billion, a drop of about $400 million from the preceding year. The ratio of corporate liquid funds in the form of cash and U. S. Government securities to sales, which is one rough measure of liquidity, declined during 1946 but is still above pre-war levels.

Tax Liabilities Decline

Partly offsetting the growth in receivables during 1946 was the $5.9 billion rise in other notes and accounts payable to a total of $30.8 billion. Short term bank loans accounted for approximately one-third the increase. Federal income tax liabilities declined by $2.7 billion to a level of $8.5 billion. Advances and prepayments by the U. S. Government were reduced by $800 million, with only $100 million remaining on the corporations' books as of Dec. 31, 1946. Other current liabilities were the same as at the end of last year, $7.9 billion.

As for the other items affecting the corporations' financial position, there was, during 1946, a record increase in the net property account amounting to $5.0 billion. On the other side of the balance sheet, there was a $3.2 billion increase in long-term debt and equity securities. Approximately $700 million of this increase was in the form of corporate bonds, while the other $2.5 billion was about evenly divided between new stock issues and long-term bank loans. The remaining funds were obtained from retained corporate profits.

Summary Table

The attached table shows the working capital of all corporations in the United States on which the above discussion is based. During 1946, manufacturing and trade companies accounted for virtually the entire increase in net working capital manufacturing for about two-thirds. There was very little change in the working capital of electric and gas utilities and communication companies, while the small decline for railroads was offset by increases in mining and other industry groups. Tables presenting more detailed data on current assets and liabilities for various industrial and size groups of corporations registered with the Securities and Exchange Commission may be obtained on request.

*Exclusive of banks and insurance companies.

CURRENT ASSETS AND LIABILITIES OF U. S. CORPORATIONS*
1939-1946
(Billions of dollars)

								1946			
Current Assets—	1939	1940	1941	1942†	1943	1944	1945††	Mar. 31	June 30	Sept. 30	Dec. 31
Cash on hand and in banks	10.9	13.1	13.9	17.5	21.7	22.2	22.2	21.7	22.3	22.3	21.8
U. S. Govt. securities	2.2	1.9	3.9	10.0	16.0	21.0	21.2	19.8	17.6	16.2	15.0
‡Receiv. from U. S. Governments	---	.1	.6	4.0	5.0	4.7	2.7	1.7	1.0	.7	.7
Other notes & accts. receivable	22.1	23.9	27.4	23.3	21.9	22.3	22.3	23.0	24.2	26.3	29.9
Inventories	18.0	19.8	25.6	27.3	27.6	26.6	26.7	27.7	28.9	31.7	35.3
§Other cur. assets	1.4	1.5	1.4	1.3	1.3	1.4	2.4	1.7	1.7	1.7	1.7
Total Cur. Assets	54.6	60.3	72.8	83.4	93.5	98.2	97.5	95.6	95.7	98.9	104.5
Current Liabilities—											
‡Advances & prepay. U. S. Government	---	.6	.8	2.0	2.2	1.8	.9	.5	.3	.2	.1
Other notes & accts. payable	21.9	22.6	25.6	24.0	24.1	25.3	24.9	24.6	24.6	26.6	30.8
¶Fed. inc. tax liab.	1.2	2.5	7.1	12.6	16.6	16.6	11.2	9.9	9.0	8.7	8.5
**Other cur. liab.	6.9	7.1	7.2	8.7	8.7	8.3	7.9	7.8	7.8	8.0	7.9
Total Cur. Liab.	30.0	32.8	40.7	47.3	51.6	52.0	44.9	42.8	41.7	43.4	47.2
Net Working Capital	24.6	27.5	32.1	36.1	41.9	46.2	52.6	52.8	54.0	55.5	57.3

*All U. S. corporations excluding banks and insurance companies. Data for 1939-1943 are based on Statistics of Income, covering virtually all corporations in the United States. Data for 1944-1946 are estimates based on data compiled from many different sources, including data on corporations registered with the Commission. Because of the nature of the figures, these estimates are subject to revision.

†Data for 1942 and later years are not completely comparable with prior years since the tax laws after 1941 permitted the more extensive use of consolidated statements. However, this only applies to the items receivables and payables other than U. S. Government; net working capital is not affected.

‡Receivables from and payables to U. S. Government do not include amounts offset against each other on the corporation's books or amounts arising from subcontracting which are not directly due from or to the U. S. Government.

§Includes marketable securities other than U. S. Government.

¶The post-war credits in excess profits taxes were not deducted from Federal income tax liabilities but were considered as non-current assets until they became due under the provisions of the Tax Adjustment Act of 1945.

**For 1942-1946 includes provisions for renegotiation other than those combined with income tax liabilities.

††Tax refunds to corporations have been treated as shown on corporation books. Beginning with September, 1945 they appear, for the most part, as decreases in Federal income tax liabilities and, to a lesser extent, as increases in other current assets. Small amounts may also appear as increases in U. S. Government securities and Receivables from U. S. Government.

NOTE—Figures are rounded and will not necessarily add to totals.

Cunningham, Anderson With Hicks & Price

CHICAGO, ILL. — James W. Cunningham, formerly with Fahnestock & Co., has joined Hicks & Price, 231 South La Salle Street, members of the New York Stock Exchange and other principal Exchanges, as manager of their trading department. Clifford H. Anderson, also formerly with Fahnestock & Co., has also become associated with the firm's trading department. Bernard J. Cunningham continues as co-manager of the department.

With Thomson, McKinnon

(Special to THE FINANCIAL CHRONICLE)

WEST PALM BEACH, FLA.—Lawrence W. Adair and Anthony J. Salak have been added to the staff of Thomson & McKinnon, 319 Clematis Street.

Two With Fairman & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF. — David H. Dorsey and Raymond P. Hartney have become associated with Fairman & Co., 210 West Seventh Street, members of the Los Angeles Stock Exchange. Mr. Hartney was formerly with Hill, Richards & Co. and Franklin Wulff & Co.

With Harriman Ripley Co.

(Special to THE FINANCIAL CHRONICLE)

BOSTON, MASS.—Clement L. Counts, Jr., has been added to the staff of Harriman Ripley & Co., Inc., 30 Federal Street.

The Economic Situation in U. S. Zone in Germany

Director, Economic Division of OMGUS, says provision of adequate food supply is paramount problem, but aim is to place British-American area on self-sustaining basis.

M. S. Szymczak, Director, Economic Division of the Overseas Military Government of the United States, issued the following statement at a War Department Press Conference on May 2:

M. S. Szymczak

"The available data indicate that industrial progress in the United States Zone during the last half of 1946 shows approximate physical production based on 1936 as 100 at an index of about 43; for the Soviet Zone, about 43; for the British Zone, about 38; and for the French Zone, about 35. This would indicate an average for all of Germany of physical production at about 39.

"The winter brought a decline of about one-third in the level of the United States Zone industrial production; that is, from an index of 44 in November to about 29 in February. The worst declines were suffered by brick and cement (more than 80%). In contrast, the United States Zone production of coal actually increased while pig iron output dropped only 18% between November and February. Hard coal production in the Ruhr had been increasing steadily despite the unfavorable weather and is currently over 235,000 tons per day as compared with an average of about 190,000 tons in last November and 158,000 tons in March 1946. Recently, just before my departure from Germany, there has been some loss of output due to strikes but this, in my opinion, is only temporary.

"The outlook for the coming months is good. March will undoubtedly show considerable improvement and by late April or early May the peak levels of last fall should be reached. The increase in coal production in the Ruhr lays an excellent foundation for considerable improvement during the late spring and summer to new high levels.

"The economic consolidation of the British and United States Zones should greatly improve the picture during 1947 since the industries of the two areas are in many respects complementary. However, while the two zones together form a much more self-sufficient industrial unit than either separately, they will still require from the French and Russian Zones such items as pharmaceuticals, refractories, optical lenses and shutters, glue, machinery parts, buna rubber, starch, potash, and tire cord, and will have to import from abroad such commodities as food, cotton, hides and leather, and clay.

"Some of the outstanding problems are:

(a) Currency reform.

(b) Further increase in Ruhr coal output to at least 300,000 tons per day in the latter part of 1947 and to about 400,000 tons per day by 1948.

(c) Rebuilding of the railroad plant as rapidly as possible.

(d) Labor shortages have impeded and are continuing to impede efforts to increase production in certain lines, notably coal mining in the Ruhr. The difficulty of obtaining specialized skills for particular jobs is also a pressing problem. However, these local difficulties can and are being met so long as the total pool of manpower is sufficient.

(e) The removal of restrictions on inter-zonal trade is also of great importance.

(f) The provision of an adequate supply of food for the German population remains a paramount problem.

"The united effort of the British and American occupation authorities is directed to an increased export program to provide $375,000,000 from exports in 1947, $600,000,000 from exports in 1948, and about $900,000,000 from exports in 1949. The object is to place the British-American area of Germany in a position to defray the cost of necessary food imports."

With John B. Joyce Co.

Special to THE FINANCIAL CHRONICLE

COLUMBUS, OHIO — Branson R. Yochum is with John B. Joyce & Co., Huntington Bank Building.

Mutual Funds

By HENRY HUNT

Mutual Fund Sales Hold Relatively Well

Although net dollar sales of mutual fund shares declined 29% during the first quarter of 1947, over the same period last year, their showing was a creditable one in comparison with the 40% decline in shares traded on the New York Stock Exchange and the 56% drop in new corporate stock issues as will be noted from the following tabulation:

	First Quarter 1947	First Quarter 1946	% Decline
Net Sales of Mutual Funds	$52,200,000	$73,600,000	—29%
N. Y. Stock Exchange Volume	66,652,000 shs.	111,257,000 shs.	—40%
New Corporate Stock Issues	$176,700,000	$399,000,000	—56%

In a consideration of the 29% drop in dollar volume of mutual fund sales, it is well to bear in mind that in view of the lower market values prevailing during the first quarter of 1947, the decline in mutual fund sales as measured by **shares** sold was considerably less.

The growing popularity of balanced funds is indicated by the fact that dollar sales of such funds showed an **increase** over last year during the first quarter. On the other hand, common stock and specialty funds showed a decline of more than 40%.

A year ago, when the market was close to its top, common stock funds of the more volatile type were doing a land office business. Today, these same funds are going begging. If the saying, "The average investor guesses wrong 90% of the time," can be relied upon, common stocks are probably a good buy right now.

What Good Management Can Do

"Items" issued by **Broad Street Sales Corporation** points with justifiable pride to the performance record of **Broad Street Investing Corporation** since Jan. 1, 1930. During this period of more than 17 years, the Dow-Jones Industrial Average declined 32% and the asset value of Broad Street shares would have declined 27% had the portfolio been unchanged. However, the actual performance record has shown an **increase** in asset value of 35%, adjusted for capital gains distributions. "Items" concludes: "Successful investing depends not only on the proper initial selection of stocks, but constant and informed supervision must be maintained. We know it is not often that the individual investor betters the Dow-Jones Industrials. Broad Street's ability to better this average by 67% since Jan. 1, 1930 is both noteworthy and basic."

Keystone Sells the Doctor

According to a recent pamphlet, issued by the **Keystone Co. of Boston,** more than 400 Physicians and surgeons own **Keystone Custodian Funds,** their average holding being approximately $7,500. The size of this holding, more than twice as large as that of the average Keystone shareholder, indicates that the medical profession is a fertile field for mutual fund salesmen.

A Business Man Sizes Up Europe

"These Things Seemed Important," published by **Selected Investments Company,** quotes from the comments of International Harvester's President McCaffrey who recently returned from a 35-day tour of Europe:

Britain and Sweden: "good risks."

Belgium is recovering fast but "inflation is terrific."

France: "inflation is almost beyond comprehension."

Germany: "If you want to work oxen you've got to buy harness and give 'em feed—even if you don't like oxen. Germany can never recover under present conditions."

Notes

National Notes issued by **National Securities & Research Corporation** points out "that the recent decline in stock prices has lifted the yield index on the 30 stocks comprising the Dow-Jones Industrial Average to a new high of 4.73% for the curent move, approximately 2⅛% more than the 2.60% yield available on AAA bonds today."

As of March 31, **Fundamental Investors** reported net assets of $21,883,000 diversified as follows: 20.6% in cash; 4.2% in appreciation type bonds and preferreds; 75.2% in common stocks.

Net assets of **Eaton & Howard Balanced Fund** hit a new high of $26,630,000 on March 31, with assets divided as follows: 13.4% in cash and government bonds; 8.7% in other bonds; 26.1% in preferred stocks, and 51.8% in common stocks.

The George Putnam Fund reports that during the first quarter of 1947, more new shareholders were added than in any previous three month period. Total assets on March 31 amounted to $20,360,000 divided approximately as follows: 26% in cash, governments and high grade bonds; 23% in medium grade bonds and preferred stocks; 51% in common stocks.

Calvin Bullock's latest issue of "Perspective" discusses the outlook for retail trade.

Alternates Remaining With Fund and Bank

Carrying on as executive directors in place of Collado and White. American officials in exceptionally close contact with own government.

WASHINGTON, D. C. (Special to the "Chronicle").—With the departure of E. G. Collado and Harry White as U. S. executive directors of the Bank and Fund, it is noted that the alternates selected by these two officials last year remain at their posts. Under the Bretton Woods plan each executive director is given the power to select personally his alternate. This was explained as necessary to avoid the possibility that an executive director should at times be represented by an alternate holding differing views.

When an executive director resigns, his successor has the option of choosing another alternate; but he does not have to do so. There is no indication of any change in the American alternates. Mr. John Hooker, originally Mr. Collado's choice, continues to serve Mr. Black in the same capacity.

* * *

The American executive directors of Fund and Bank, because of the terms of the Bretton Woods Agreement Act, operate in much closer relationship with their Government (i.e., with the National Advisory Committee) than is required in the cases of other members. Presumably, no important vote can be cast by the American executive directors without previous consultation with the NAC; and conversely the American Government — partly because of the terms of the BW Agreements Act and partly because of physical proximity—has greater detailed knowledge of the operations of the two BW institutions than most other members.

John Guenther Joins Leo Rich Incorporated

John Guenther

John Guenther, for the past five years one of the business editors of "Newsweek" magazine, has joined Leo H. Rich Incorporated, industrial consultants at One Wall Street, New York City, as assistant to the president. He will work with Mr. Rich on a program of marketing research, industrial design and public relations for business clients.

During the war Mr. Guenther served as an officer with the Army Air Forces in Europe and lectured at the AAF Special Staff School. Before going to "Newsweek" he was a member of the sales promotion staff of Servel, Inc.

With A. E. Weltner & Co.

Special to THE FINANCIAL CHRONICLE

KANSAS CITY, MO.—William W. Humphrey, Jr., has joined the staff of A. E. Weltner & Co., Inc., 21 West 10th Street.

India Now Pondering Nationalization

Nehru envisions combination of government planning and private enterprise.

It is high time the Government clarifies its policy regarding nationalization, but no date can be fixed because of the peculiar stage of transition the country is passing through, said Pandit Nehru inaugurating the seventh annual session of the All-India manufacturers' Organization in New Delhi, April 14. The prevailing view is, he said, that the Government must help industries and at the same time keep away and not interfere. That was not a logical position to take up. The Government was going to do no such thing, he declared. "But what the Government is going to do, I do not know. The Government is anxious that India should produce more wealth and raise the standard of the people. The question is how to achieve it." If relations between the employers and employees were so bad that there was continued industrial trouble, they could not get moving. Some adjustment would have to be found on both sides.

Stating that the old economic foundation was not suitable for the modern world, Nehru observed: "If you in India are going to think in terms of our out-of-date economy and try to build up a structure thinking of what took place in the U.S.A. or U.K. in previous ages, you will be out-of-date and building on shifting sands. In fact production and economic growth must be based on social contentment. Without that there is no great future for India."

When one talked of planning, said Nehru, there should obviously be some kind of governmental agency to control it. It might be cent per cent in regard to certain industries, and 10% in regard to others; but all the same, some measure of control was bound to come if there was to any planned economy.

At the present stage, he said, "There will have to be a great deal of private enterprise. I do not want to interfere with them. But if you are going to plan, even these private enterprises must function within that plan."

He referred to the capacity of trained man power in the country and disclosed that the Government had decided to set up a committee which would perhaps be called the Scientific Man Power Committee to consider this particular point. On the question of scientific research, he asked what the industrialists themselves had done in this regard. "I think their record is astonishingly and shamefully poor. We have got the habit of relying on the Government." There were some industrial organizations in India, he said, which had encouraged scientific research, but as a whole very little had been done by the industrialists and they should do far more.

A New Approach to Fair Trade Practices

By LOWELL B. MASON*
Federal Trade Commission

Commissioner Mason pleads for clarification of fair trade practices through conferences and co-operation with Federal Trade Commission rather than through litigation. Says rules for jobbers, wholesalers and retailers are confusing and imperil free enterprise system.

I think there is no field of industrial law more clouded with confusion than that bearing on what a distributor can and cannot do.

Lowell B. Mason

Certainly our commercial law is not as clear as our social law.

In rules relating to our social conduct the mores of our country have already firmly established a mutual understanding of what is right and what is wrong. For example, there is such a universal observance of the rule against stealing a loaf of bread that enforcement of this edict is relatively simple.

Custom is a marvelous thing. It even will bend people to virtue. Custom was once the main support of the ancient guild merchants in getting compliance with their rules of fair trade. Controversies such as we in the Federal Trade Commission now take years to decide were settled by the ancient guild courts "'twixt tide and tide." The sea captain could unload his cargo and get out to sea on the next ebb because the law was understood and assented to by all, and hence decisions were quickly made.

Today there is no understanding of the law merchant. Custom and accepted usages lag too far behind the complicated corporate maneuverings of huge concentrations of economic power. We have lost our "business folkways."

It's getting so today that in the field of distribution it often depends on how you hold your mouth whether you are guilty or innocent of a law violation.

The rules of the road for jobbers, wholesalers and retailers are so confusing that they imperil our American system of free enterprise. I am inclined to think the error is too big for a few super brains in the bureaus of Washington to remedy. It's time industry stopped leaning on government for its virtue and developed some moral self-reliance of its own. And it's up to government to help by shifting this public responsibility to the shoulders of private industry as fast as businessmen can take it, for responsibility must be shared to be effective.

This is going to mean that an entirely new approach to getting law observance must be evoked to compete with our present hit and miss prosecutions, for, as President Truman recently pointed out, "A system of free enterprise does not automatically work out its own adjustment without our giving thought to the process."

This process, as I see it, is well established on the fundamental truth expressed by Ralph Barton Perry in his recent book on democracy:

"While the law does, it is true, invoke the sanction of force, it does so as a last resort and in exceptional cases. The efficacy of law depends on a pervasive and continued law-abidingness, which consists of a common understanding and general acceptance, perpetually renewed."

Prior to Mr. Truman's advent in office, a disproportionate amount of time was spent on the sanction of force through hit or miss prosecutions of individual complaints with little or no effort towards a mass understanding and acceptance of the law—many of the complaints against methods and pricing in distribution being only indicative of common bad business habits which continued to flourish industry-wide in spite of single individual prosecutions. The final cease and desist orders issued after lengthy and costly trials may have served as deterrents in some cases, but often they only placed the distributor under a handicap not imposed on the balance of the industry. In fact, looking at it from the consumer's point of view, when we enter a cease and desist order against one man, it rarely results in protection to the public if the banned practice is common to others in the same business. The failure in all punitive procedures is that they attack individual symptoms without removing the general causes, and seldom serve to bring a common understanding and acceptance of the law by those not parties to the litigation.

Trade practice conferences can give us a common understanding and general acceptance perpetually renewed of the rules of fair play and distribution on an industry-wide basis.

Those who shy away from stopping bad practices in distribution on an industry-wide basis claim that rules cannot be drawn with enough clarity and particularity to fit the problems of each industry. To that confession of failure I cannot subscribe. Certainly the rules can be as explicit as some of the recent decisions of the Commission, which is to say we can be just as good rule-makers as order-makers.

Maybe when we have the benefit of sane advice and practical suggestions of the distribution industry through a cooperative conference instead of the legalistic forensics of paid advocates in a single litigation, we will be able to decrease the confusion and uncertainty of today and give birth to directions that will have more practical value in the marts of trade than those contained in an order against one individual. But first we must let the business world know that the job of the Federal Trade Commission is to eliminate unlawful acts, not litigate them.

If we will vigorously back up this policy, we will encourage business to bring to the conference table many of its vexing problems, the solution of which will help protect freedom of enterprise. We will arrive at a common understanding and the acceptance of law so necessary to save free competition. The process will not be as vivid as the spectacular filing of charges and complaints, but its results will be a lot more durable.

*An address by Mr. Mason at luncheon session of 35th Annual Meeting of Chamber of Commerce of U. S., Washington, D. C., April 30, 1947.

Phila. Bond Club Field Day Committees

For the Annual Field Day of the Bond Club of Philadelphia, to be held Friday, May 23, at the

John F. Bunn, Jr. Wm. K. Barclay, Jr.

Philmont Country Club, Philmont, Pa., committees are announced by William K. Barclay, Jr., of Stein Bros. & Boyce, President of the Club, as follows:

General Committee:—John F. Bunn, Jr., Bioren & Co., Chairman; Arthur K. Burgess, Biddle, Whelen & Co., assistant to chairman.

Arrangements:—Samuel K. Phillips & Co., Chairman; Clyde L. Paul, Paul & Co.

Registration: — Raymund J. Kerner, Rambo, Close & Kerner, Chairman.

Golf:—Walter Schmidt, Schmidt, Poole & Co., Chairman; Kurst J. Huttlinger, F. P. Ristine & Co.; and Fred K. Seving, Butcher & Sherrerd.

Tennis:—S. Howard Rippey, Jr., Reynolds & Co., Chairman; Paul Denckla, Stone & Webster Securities Corporation.

Soft Ball:—John C. Bogan, Jr., Sheridan, Bogan & Co., Chairman; Wallace M. McCurdy, Thayer, Baker & Co.; and Winthrop H. Battles, Battles & Company.

Horse Races:—George J. Ourbacker, F. J. Young & Co., Chairman; William H. P. Townsend, E. W. Clark & Co.;; O. Howle Young, Wellington Fund; Roy Stewart, Wurts, Dulles & Co.; Walter D. Larzelere, Bioren & Co.; and J. Brooks Diver, Mackey, Dunn & Co.

Stock Exchange: — Russell M. Ergood, Jr., Stroud & Company, Chairman; R. Victor Mosley, Stroud & Company; William E. Suplee, Suplee, Yeatman & Co.; and Harry B. Snyder, Yarnall & Co.

Bond Club Show:—Edward M. Fitch, E. M. Fitch & Co., Chairman; John E. Fricke, Thayer, Baker & Co.; Elwood W. Miller, E. W. Miller, E. W. & R. C. Miller & Co. and Samuel Evans, Jr., C. C. Collings & Co.

Transportation:—Harry D. Brown, Jr., Stroud & Company, Chairman.

Attendance:—R. Conover Miller, E. W. & R. C. Miller & Co., Chairman; Freeman G. Grant, Dolphin & Co.; Lawrence M. Stevens, Graham, Parsons & Co. and J. Brooke Diver, Mackey, Dunn & Co.

Publicity:—Loring Dam, Eastman, Dillon & Co., Chairman; R. Conover Miller, E. W. & R. C. Miller & Co.; John A. Murphy, Reynolds & Co.; and Chauncey P. Colwell, Merrill Lynch, Pierce, Fenner & Beane.

Louis J. Groch to Be Bennett, Smith Partner

DETROIT, MICH. — Louis J. Groch will be admitted to partnership in Bennett, Smith & Co., Penobscot Building, members of the New York and Detroit Stock Exchanges, as of June 2. Mr. Groch in the past was local Manager for Hornblower & Weeks and was with J. S. Bache & Co.

Securities Salesman's Corner

By JOHN DUTTON

Those who understand the practical side of the securities business appreciate the not too often admitted fact, that many people who call themselves investors are instead QUOTATION CHASERS. During the past four years when marginal companies were making a comeback due to conditions that were favorable for them, there was great interest in the acquisition of very speculative low priced securities on the part of the general public. Security dealers, just like other merchants under similar circumstances, sold the public what the public wanted. Many of these so-called investors would not touch better grade investment stocks and bonds—they wanted to MAKE SOME MONEY. Some of them did make money, but some of the others still hold former speculative favorites which are now sharply deflated in market price. If you now have such customers what are you doing about them?

Are you avoiding them in the fear that you won't be very welcome when you call? If so, you have surely lost any opportunity of continuing to enjoy their future business. Someone once said that if you were in business you had to take all kinds, but that is what you got paid for doing. There is nothing so unusual about people wanting to get something for nothing—the speculators who bought the low priced stocks from you were pretty good accounts in the days when a telephone call was all that was necessary in order to ring the cash register. Those days will come again—they always have. Possibly the speculator who now has big losses in the securities that you sold to him has even larger ones in other securities bought from someone else. Why overlook the possibilities that STILL REMAIN FOR DOING BUSINESS WITH SUCH ACCOUNTS?

Isn't This the Better Way?

When it comes to highly speculative securities of marginal companies it is a fact that their status changes with the times. Stronger companies show a resistance to unfavorable influences that is much greater than the smaller or weaker units. It is possible that certain of these "dogs" which are now held by your more speculatively inclined customers are not going to recover. Yet they have some market value. Other stocks may now be selling around the same price levels as those stocks which will finally prove to be worthless. It is an acknowledged fact that the market price of a security is rarely a reflection of either its past or potential value. The price of a security only reflects the supply and demand situation regarding a security the same as for anything else.

Why not check up on some of your pet "puppies"? Call your disgruntled speculator friend on the telephone some day and have a chat with him. Tell him you are GOING to make a thorough study of what is going on regarding the XYZ Company. Go out and visit the plant, meet the officers, satisfy yourself. If it looks like they are getting ready for "chapter 10" come back and tell your customers about it, but also tell them to keep your opinion to themselves. Otherwise you won't have much of a chance of salvaging the little that is left of their ill-fated venture. Or if the future looks like things will work out eventually tell your customers about that. But also ask them to keep this news confidential because if others find out what you know it will be just as impossible to buy any worthwhile amount of stock at prevailing low levels as it would be in the former case to sell it. Remember present day prices, especially in low priced securities that have had a great decline percentagewise, only reflect the trading in a few hundred shares of stock out of a total issue running into several hundred thousand shares. A stock now two bid, against a former high of 10, does not mean that you could sell a block of 10,000 shares at this price or buy such an amount either. It only indicates that someone will buy a hundred or two at this level.

Then suggest that your speculating customer buy some more of his pet "doggie" at current levels. Where he formerly owned 500 shares he can now probably buy several thousand shares for less than the first lot cost him. Remember that when markets turn around and the psychology of the public changes some of these very low priced stocks move up so fast that you won't be able to get back into them at all. If there is a good chance that for the long pull such a situation will eventually work out, dull markets present the only times that you can accumulate bargains. The smart speculator only buys when prices are low and when such stocks are being offered to unwilling buyers. If a gamble was good at $10 a share, or any other price and the outlook is still favorable at a dollar a share then by all means go back to your customer and if you think you are a salesman—THIS IS THE TIME TO PROVE IT! Some day your customer will thank you for doing it. There is nothing wrong with trying to get something for nothing in the securities markets—it's strictly legal—the only trouble with it is that those who usually try it DON'T KEEP AT IT WHEN THEY SHOULD, AND THEY TRY AND DO IT WHEN THEY SHOULDN'T.

Prospective Supply Of Municipal Bonds Shown in New Study

A new booklet titled "State and Municipal Bonds," prepared and published by the Bond Department of The Northern Trust Company, Chicago, has just been released. The publication, according to the Bank, was prompted by "the current interest in state and municipal bonds and the prospective supply of these securities through state veterans' bonuses and public works construction."

Contents of the booklet include valuable information concerning the prospective supply of these bonds, a review of World War I bonus payments and loan borrowing, a comprehensive analysis of the benefit borrowings of veterans of World War II, and a section dealing with public works construction. The text is supported by graphs and tables covering all the aspects of the various subjects.

William Gottlieb Dead

William L. Gottlieb, senior partner in Spencer B. Koch & Co., 120 Broadway, New York City, members of the New York Stock Exchange, was found dead of gas poisoning in his home on May 4. Two notes to members of his family, found on a table nearby, indicated suicide in despondency over the death of his wife last New Year's Eve.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

Government security prices continue to be buoyant, in spite of the uncertainties that appear to be facing the money markets. . . . The effects of the credit limiting policy have not yet been felt to any marked extent in the government market. . . . Although prices in some instances are down about a half-point from recent tops, there has been only minor adjustment since the initial sell-off. . . . This seems to be attributable to the lack of large-scale liquidation of bank eligibles along with the inability to dealers to quote down prices and develop a following on the down side with volume. . . .

There is no doubt that the member banks are looking at the new program in a very realistic way, because thus far they have used only the shorter maturities to replenish reserves. . . . Nonetheless, the power of the monetary authorities is not being underestimated by the market. . . .

The money managers in addition to credit restrictions, continue to sell securities in order to keep prices within recent limits. . . . They also have other measures at their disposal. . . .

HOLDING THE LINE

It seems as though there is no desire to have prices move up from present levels, which is responsible for the selling of securities by the Central Banks, whenever prices show signs of getting a bit too strong, as they were following the successful sale last week of the State of Illinois bonds. . . . Bids have been filled practically every time, by the authorities, when it looked as though quotations would be marked up. . . .

NO OFFERINGS

Probably the most important single factor that is helping to keep the eligible market steady so far is the absence of offering of these issues by the member banks. . . . This is due to the fact that these institutions are watching earnings very closely (which still seem to be declining in many instances) and they are not going to sell higher income obligations, unless they are forced to. . . .

This psychology will have a very important effect upon the market action of the bank issues, because if there is no panicky selling by the commercial banks of the intermediate- and long-term obligations, there will most likely be only moderate price changes in these groups. . . .

Likewise, non-bank investors are not going to be sellers of the eligibles as long as prices of these securities remain within limits, that do not indicate sharply lower levels. . . . There is no doubt that the market action of the bank securities will have an important bearing upon the general level of government security prices. . . .

BUYING AND SELLING

Some of the partially-exempt obligations have appeared in the market, and reports indicate they were well taken although it is believed that a few of the 2⅞s are still around. . . . Federal, according to advices, were sellers of the December 2s as well as the bank and ineligible 2½s. . . . The savings banks have been buyers of the 2¼s of 1959/62, indicating that they prefer the shorter of the restricted obligations. . . . New York State was again a buyer of the Victory 2½s. . . .

There are indications that the short interest in the longest restricted bonds has been cut down in the last few days. . . . Bargain hunting may become popular, if there should be a sharp recession in prices. . . . Large New York City banks are evidently looking at issues due from 1951, and shorter. . . .

Dealers, according to reports, are in very good position to step in and build up positions, when the market is considered attractive. . . . They anticipated the credit restricting action of the authorities and were able to let out securities, before prices moved down. . . . Insurance companies are checking the market very carefully indicating that they may be in the market in volume in the not distant future. . . . Funds of these institutions are very large and they must be put to work. . . .

CREDIT RESTRICTIONS

Business loans have declined and commodity prices in many instances have gone on the defensive, but not enough recession has taken place yet to be conclusive. . . . This means no change in the credit restricting program although Treasury bills were retired this week without a war loan call. . . . Deposit calls on the member banks can be made any time the Treasury wants to replenish its funds at Federal. . . .

The redemption each week of $200,000,000 of Treasury bills has been offset to a large extent by the increase in gold along with the return flow of currency from circulation. . . . Gold holdings are back to levels where they were before the transfer was made to the International Bank. . . .

Since Feb. 26 gold stocks have increased by $452,000,000 with last week's addition being the sizable amount of $153,000,000. . . . Currency in circulation during the same period declined $144,000,000. . . . These two factors have had an important bearing upon the money markets, and if this trend should continue it could have a cushioning effect upon the credit limiting policy of the monetary authorities. . . .

BANK BUYING DIVERGENT

The breakdown of bond purchases by the reporting member banks in New York City and Chicago shows that the banks in these two large cities have followed different courses in making additions to their bond portfolios. . . .

Reports for the last five weeks (the period during which the figures were available) indicate that the New York City member banks bought $106,000,000 of bonds due within one year, the largest acquisition, $27,000,000 of bonds due one to five years, and $28,000,000 of bonds due after five years. . . .

During this same time, the Chicago banks sold $30,000,000 of bonds due within one year, along with $84,000,000 of bonds due one five years. . . . These institutions concentrated their buying of bonds in issues due after five years, and these purchases amounted to $138,000,000. . . .

The Chicago banks continued to lengthen maturities, while the New York banks were more interested in the shorter obligations. . . . Institutions in both cities added to bond holdings despite the credit restricting action of the authorities. . . .

TREASURY SURPLUS

The improved financial position of the Treasury seems to indicate that the surplus is likely to be in excess of $1,200,000,000 for the fiscal year ended June 30. . . . The improved sales of savings bonds could mean that $5 to $6,000,000,000 would be available for debt redemption from this source. . . . Higher wages and steady employment will mean larger payments to the Old Age and Unemployment Funds. . . . All of this could result in substantial amounts of debt retirement.

Saltonstall Looks for Lower Government Costs And Reduced Taxes as Inflation Safeguard

Outlining legislative goals and current problems of the Eightieth Congress in a talk before the Association of Bank Women at the Mayflower Hotel, Senator Leverett Saltonstall on April 28 expressed confidence that "our final record of achievement will be exceptionally good by the time we pack up for home this summer."

Mr. Saltonstall, the senior Republican Senator from Massachusetts, told the meeting: "Your present reconversion-period Congress can make no greater contribution to world peace than by seeing to it that our national economy is on a sound basis and the Federal Government is solvent and efficiently administered. We must do a topnotch job in our own backyard if we are to meet our already huge commitments both at home and abroad."

Sen. L. Saltonstall

Citing the undisputed demands in the last election for reduced governmental expenditures and a smaller Washington-based bureaucracy, lower taxes and better labor-management co-operation, he commented briefly on these issues.

Government Expenses and Bureaucracy

"Too many people have fallen for the idea," Sen. Saltonstall remarked, "that more government is the solution for everything. Congress, chiefly through Appropriations Committees' hearings, is carefully reviewing the agencies and powers acquired by government to cope with depression and war. We must cut down some of the more than 900 agencies that go to make up our Federal Government, but it must be done intelligently. As a member of the Senate Appropriations Committee, I do not want to injure the operation of essential government services. In 1932 there were only 521 government agencies. But, much of this bureaucracy and increase in Federal payroll is our own fault. In the stress and hurry of our lives in the 20th Century, during war periods and pushed by special interests and stimulated by lack of independent initiative, we have seen our government, particularly the Federal Government, take over so many duties that we now find great difficulty in financing them. The 80th Congress must find the answer to this dilemma without fear or favoritism and act accordingly."

Taxes, Budget and Debt

"I feel confident" the Senator stated, "that Congressional action this year will result in a substantially reduced budget and one that is balanced for the first time in 18 years. During the long hours of debate two months ago on the floor of the Senate there was much discussion of what should come first—tax reduction or debt reduction. It now looks as if we will have a little of both, just how much of each I cannot say at this point. But, I, personally, feel that some tax relief this year will enormously increase the confidence of our citizens and provide an incentive to greater production. I hope that greater productivity will bring greater tax revenues and thus permit us to take a bigger slice out of our national debt in 1949. The revenues of our government are not entirely in the hands of Congress. We create the tax laws, but the revenues that those laws produce depend ultimately upon the country's ability to produce. Our debt can only be paid when Uncle Sam has the funds in his pocket to pay it."

Labor-Management Problems

"As Governor of Massachusetts, I always felt that more education in labor-management relations and encouraging both sides to work out their own differences around a table with a minimum of governmental intervention were the best ways to meet the problems. That is the American way of doing business. I still feel that way. I am hopeful that the Senate, now considering an omnibus labor bill, will pass legislation which will stimulate this atmosphere conducive to more labor-management cooperation. Government must have the machinery to regulate and correct any abuses by either side. It also must have the most helpful and effective conciliation services possible. At the same time we must always remember that laws cannot replace mutual confidence and understanding. But, we live in a society that demands certain things. That society is made up of all of us. We all have a responsibility to the community in which we live. The health, safety and welfare of all the people is a responsibility of all of us. They must come first. If the actions of industry, be it management or labor, come to the point where they endanger the health, sofety, or the general welfare, then the community interest must be considered as the primary concern. Ways and means must be found to protect it. Government is the representative of **ALL** the people. Thus it becomes its responsibility to see that measures are taken to provide that protection. Methods to set up a more helpful conciliation service and to protect the community interest are two of the primary considerations now before the Senate."

Commenting on the threat of a runaway inflation, Senator Saltonstall said: "It can well be argued, it seems to me, that in addition to increasing our level of productivity, reducing the high price of government and cutting taxes are two of the quickest ways to ward off this threat. The more money you give Government, the less you have to spend on consumer goods. I can think of no group of people more concerned with inflationary price levels than bank officials. The country is looking to you for cooperation and advice in meeting this difficult problem."

Philadelphia Municipal Bond Club Elects

PHILADELPHIA, PA. — The following officers and Governors were elected at the sixth annual luncheon meeting of the Municipal Bond Club of Philadelphia:

John H. Derickson Freeman G. Grant

President, John H. Derickson, E. H. Rollins & Sons, Inc.; Vice-President, Freeman G. Grant, Dolphin & Co.; Secretary, J. Brooks Diver, Mackey, Dunn & Co., Inc.; Treasurer, Charles E. Hoerger, A. Webster Dougherty & Co. Governors Alfred S. Knapp, Wurts, Dulles & Co.; Clifford C. Collings, C. C. Collings & Co., Inc.; Russell M. Dotts, Hess, Blizzard & Co., Inc., and Carl Necker, Moncure Biddle & Co.

Halsey, Stuart & Co. Inc. Offers Cudahy Bonds

Halsey, Stuart & Co., Inc., heads a group of underwriters which purchased, at competitive bidding, $15,000,000 The Cudahy Packing Co. first mortgage sinking fund bonds, Series C, 2⅝% due May 1, 1967. The bonds are being publicly offered at 99½% and accrued interest. Proceeds from the issue will be used to redeem all of the $14,000,000 first mortgage, Series B, 3% bonds and the balance, together with funds to be supplied by the company, will be applied to the acquisition of properties at Phoenix and Tucson, Ariz.

The bonds, in the opinion of counsel, will be secured by direct first mortgage lien upon substantially all of the company's physical property, and there will be pledged as additional security substantially all outstanding shares of subsidiaries.

Provision is made for a sinking fund consisting of (a) fixed payments calculated to retire approximately 69.7% of the bonds by maturity, and (b) payments contingent on earnings, but cumulative (subject to a certain earnings limitation) if not paid, calculated to retire approximately an additional 19% of the bonds by maturity, assuming that earnings are such as to require the making of all such contingent payments in full. Purchase of the bonds for the sinking fund may be made at 100%. Aside from the sinking fund requirement, the bonds will be redeemable at the option of the company in whole or in part at prices ranging from 102½% beginning May 1, 1947 to 100% beginning May 1, 1966.

In the fiscal year ended Nov. 3, 1946, net income before interest charges, etc., but after depreciation, taxes and a reserve of $3,500,000 for possible inventory price declines, was $7,334,107; maximum annual interest charges on the Series C Bonds will require $393,750.

Three at H. C. Wainwright

Special to THE FINANCIAL CHRONICLE

BOSTON, MASS.—H. Whitin Brewer, Thomas Gardiner, and Charles V. Lyness have become affiliated with H. C. Wainwright & Co., 60 State Street, members of the New York and Boston Stock Exchanges.

The Railroad Outlook

(Continued from page 14)

be manufactured. It would seem, therefore, that the car manufacturers, including railroad shops, will be busy for more than a year in producing new cars.

Incidentally, it may be mentioned here that the cost of the new freight cars just mentioned, together with 2,562 passenger cars and 634 locomotives now on order, will amount to $900,000,000, of which sum, according to our best estimate, $600,000,000 will be expended this year. It may be interesting to note also in passing that of the 634 locomotives now on order, 582 are Diesels, indicating a trend in the direction of increased efficiency and economy.

You will be interested in the question of whether the railroads, in the next twelve months, will probably be able to handle the traffic tendered with a fair degree of success. A great deal of publicity has been given to stories of car shortages and alleged maladjustments in the distribution of available cars. But the record does not justify many of the extravagant statements in the press and before Congressional committees as to curtailment of industrial activity attributable to car shortages.

To illustrate: For the week ending March 1, 1947, the car shortage amounted to 36,183 cars of all classes. Compare this figure with actual loadings of 850,000 cars for that week and we see that the shortage, while not negligible, represented less than 5% of demand. Upon a conservative view, it is safe to say that the railroads are meeting at least 90% of the demand for cars. In the first 13 weeks of this year, the railroads have handled 10,518,015 loaded cars, a greater number than were handled in the similar period of any one of the past four years.

One of the usual indicia of efficient handling is the turn-around time of cars, meaning the number of days elapsing between loads given to a particular car. In January, 1947, this lapsed time was 14.95 days, by no means indicating slackness or inefficiency in operation. In the month of January, 1945, the lapsed period was 16 days and in January, 1946, 16.3 days. I mentioned these statistics having to do with performance only for the purpose of indicating that even with equipment seriously impaired as to number of units in service, the public can be assured that the railroads, with the splendid cooperation of shippers, will be able to take care of the demand for railroad transportation in a manner that will prove to be no serious handicap to industry.

We do need, in this connection, may I say, a bit more of cooperation and understanding of conditions, and a bit less of hysterical lamentation about discriminations that, in fact, are non-existent. You may rest assured that the cars available at the present time have been, are being and will be distributed fairly, with as much regard to ownership as conditions permit, and with as much regard as is humanly possible to the needs of commerce and the public interest.

Financial Point of View

Turning now to another aspect of the railroad situation, what are the prospects from a financial point of view? We are dealing here with a $23 billion industry, and that is a conservative estimate. In 1946, its operating revenues amounted to $7,600,000,000, the lowest figure since 1942. The net railway operating income was $619,284,724, which represented only 2¾% upon the investment after depreciation. This was the lowest rate of return since 1939. While the net income after payment of fixed charges amounted to $288,534,467, the lowest figure since 1940, yet it does not add cheerful coloring to the picture to recall that this figure of net earnings includes a figure of $170,500,000 of carry-back tax credits, which will never recur. But for this windfall, the showing would have been sorry indeed.

But the year 1946 was not typical. It cannot be taken as the pattern for the future. I say this for the reason that wage increases amounting to $652,503,000 were effective throughout the year, increased payroll taxes amounted to $49,150,000, increased material costs aproximated $120,000,000, or a total of $821,653,000 over comparable costs in 1945, when net railway operating income amounted to $852,147,005, net income after charges $450,433,645 and return on depreciated investment 3¾%. To offset this increase of $821,000,000 in expenses, the Interstate Commerce Commission permitted the roads to increase the freight revenue by about $180,000,000 in the year 1946, manifestly an inadequate allowance. What are the prospects for 1947?

In the first place, let us look at prospective revenue. And in this respect, I can do no more than base our estimate upon 1946 business, modified by the practical certainty that as the supply of private automobiles increases, there will be a substantial fall-off in passenger travel by rail. Effective January 1, 1947, the Interstate Commerce Commission authorized increases in freight rates that, on the basis of 1946 tonnage, should increase railroad revenues by about $805,000,000 a year. Effective Dec. 13, 1946, interim increases in express revenue were granted, amounting to $58,000,000 annually. We have in sight, therefore, in the way of increased earnings from freight and express traffic, about $863,000,000. But it has been estimated (and perhaps this is a pretty hazardous guess) that the railroads may lose in 1947 something like $315,000,000 in diminished passenger earnings, leaving an increase upon present findings of some $548,000,000.

It is true that there are now pending applications for a further increase in express rates, increases in mail pay, and increases in passenger rates in Eastern territory, which if granted should add something like $155,000,000 to the potential earnings. In other words, if we are disposed to take an optimistic view of the prospect, even with no increase in freight traffic, we might increase our total gross revenues by some $700,000,000.

But there are offsetting increases in expenses which can be rather definitely determined. The Crosser bill, which became effective on Jan. 1, 1947 will add $90,000,000 to the payroll expense. To this should be added $39,000,000 attributable to wage increases, which were not effective for the whole 1946 year. Very probably, increased material costs will add $190,000,000 to the bill, making a grand total of about $320,000,000 of increased costs. And so, we have left from present and proposed rate increases a figure of about $380,000,000, which if all carried to net income (which it cannot be), would give us a black figure of nearly $500,000,000, or about 2¼% upon property investment less depreciation. Of course, this figure does not take into account possible increases in traffic, nor give effect to possible economies in operation.

Rail Revenue Insufficient for Adequate Returns

It is obvious, however, that a net income of $500,000,000 is grossly inadequate, yielding as it does no more than 2¼% upon the depreciated property investment. No one who is at all informed doubts that the railroads, in order to make needed improvements and maintain their credit, should have an income of not less than 6% upon the value of their property, or in other words, the net income should be at least $1,250,000,000. Such a return has been found to be reasonable by the highest courts in the land and is certainly in line with earnings secured by business enterprises other than public utilities.

Perhaps the most significant feature of this financial picture lies in the fact that it does not take into account the demands of organized railway labor for increases. At this moment, the non-operating brotherhoods are asking for an increase of 20 cents per hour. If the operating unions ask for similar increases, the cost in actual wages and increased payroll taxes attributable thereto would reach the staggering total of $810,000,000. No one can say what will be the outcome of these demands. But it is safe to say that if substantial increases are the result, if the railroads are to remain solvent, with credit reasonably maintained, there must be an increase in freight rates of a very substantial amount.

Fixed Charges Reduced

There is one aspect of the whole situation that is decidedly encouraging. I refer to the familiar fact that in recent years the railroads have substantially reduced their fixed charges, as the result of a successful campaign to reduce their indebtedness. The high point of railroad funded debt was $11,880,000,000 in 1930. This had been reduced at the end of 1945 to $8,659,000,000, reduction of more than $2,200,000,000. From 1941 to 1945, inclusive, excluding equipment obligations, which necessarily fluctuate from year to year, the reduction was over $2,000,000,000. And it is very interesting to note that, contrary to popular statement and belief, of this $2,000,000,000 reduction, more than $1,390,000,000 was attributable to voluntary reduction by solvent carriers and only $756,000,000 can be attributed to involuntary reductions, brought about by bankruptcy reorganizations. In these five years, fixed charges have been reduced by some $85,800,000.

It is significant, too, that whereas in 1930 the total capitalization figure, meaning thereby the whole amount of funded debt plus capital stock at par, amounted to more than $19,000,000,000, as against a property investment figure of $27,000,000,000, in 1945 the capitalization figure was $15,600,000,000, as against a current investment figure (before depreciation) of $28,500,000,000. Certainly no one can assert that a financial set-up is unwholesome where the capitalization, including stocks and bonds, amounts to no more than 55% of the recorded investment.

Prospect Not Desperate

On the whole, the railroad prospect, while not glowing with promise, could not be said to be desperate, if the future could give assurances as to two matters:

First, if the Interstate Commerce Commission could find a way to adjust rates to meet increased costs, without the long delay that has proven so disastrous in the past.

Second, if the roads could be sure that they will be permitted to propose rates on the theory that we are dealing here with a national system of transportation, administered by the Interstate Commerce Commission, rather than a system controlled by the Anti-Trust Division of the Department of Justice, where each railroad would be required to make its rates in a vacuum, in line with the whims and fancies of the lawyers of the Division, following the leadership of Mr. Henry Wallace, whose speech on the subject sometime ago at Dallas conformed to the pattern now advocated by the Division. Such a policy, if it finally prevails, will reduce the country not merely to a colonial status, but to a condition comparable only to that which prevails in the most primitive society.

American Investors Can Profit in Mexico

(Continued from page 8)

each and every one of the nations of this Hemisphere has to be strong. The democracies would be quilty of an error of incalculable consequences if they failed to understand in time that they must rely for their survival on countries of our Continent—the countries that are trustworthy and dependable because they are economically strong.

It is no longer possible, as President Truman stated it in Mexico, to be indifferent to what happens beyond one's own borders. In the first place—and this does not affect in the least the principle of non-intervention—it is impossible to ignore the lack of health, the want and the ignorance that afflict many peoples of the world. People's minds have changed through the two great wars of this century. No one who is not blind to the drama of our time, will attempt to build his welfare on the suffering of his neighbors.

We expect two principles to govern in the future the economic relations between the State and the individual. The first is that no isolated prosperity can in the long run survive, because the poverty of others will sooner or later wipe it out. The second principle is the conviction that the exploitation of man by man is not only immoral, but uneconomic. In the end it arouses in the masses a spirit of distrust and of violence.

In Mexico, since 1910, we have had to adopt measures to safeguard our resources and save our manpower from unjust and immoderate exploitation. For this we have been maligned and misinterpreted. It was said that our aims involved a nationalism that excludes all foreigners from sharing in the development of the Republic. Nothing, however, could be less exact. And on this point I wish to be extremely explicit.

We are not nationalists in any narrow, inhuman sense. Our policy has always been directed towards international cooperation. For this reason we have not only placed at the disposal of the world the modest fruits of our labor but have contributed our manpower and will continue to do so. There are, for instance, hundreds of thousands of Mexicans engaged in farm and railroad maintenance work helping out in many of your States.

There is a nationalism that drives for continuous territorial expansion and demands special privileges and cartels. Such a system, in our view, openly clashes with the principle of living together internationally in a civilized way. There is, on the other hand, another kind of nationalism. That which simply enhances what is national and in so doing, seeks but one thing — to stimulate the progress of all.

This nationalism does not have to go under cover or under disguise. It can act with honor in public life. It is based on something more significant than an external right. It logically rests on the fact that the strength of the whole is made up of the strengths of the parts. It holds that a policy based on a supposed economic and commercial equality stunts the growth of the less industrially developed countries; it is tantamount to dividing humanity into two irreconcilable camps; one made up of countries that have unhampered access to raw materials and export without hindrance their manufactured products, and the other, of countries selling their raw materials at low prices while they buy at high prices the goods produced with their own raw materials. These latter countries, having no protection, find insurmountable obstacles when they seek to industrialize adequately their own resources.

President Roosevelt, when he visited the city of Monterrey, in Mexico, on April 20, 1943, foresaw a new era for the economic relations between Mexico and the United States. In the address he delivered on that occasion, he said pointedly:

"We know that Mexico's resources will be developed for the common good of humanity. And we know that the days of the exploitation of the resources and the people of one country for the benefit of any group in another country are definitely over." On these premises, with whose universal validity Mexico fully agrees, we must work out a mutually beneficial plan for the cooperation of our Nations.

American capital that really means to share in the life of Mexico; that is, willing to observe its laws and be satisfied with a fair profit, without selfish greed or the illusion of becoming a law unto itself, shall be welcome to Mexico and will derive all the advantages that American citizens who are cooperating with us in the economic development of my country are actually enjoying.

The influence of a distingushed group such as this Society will doubtlessly make for the dissemination of these facts, knowledge of which is as important for the United States as for Mexico. Such understanding is absolutely necessary in order that our two countries may, united by amity, fulfill the destinies which they are called to defend together.

The democratic world which we desire shall build security and peace rather than on a victory achieved by force of arms, on the faithful observance of agreements, on equitable compromises, on the solidarity of efforts and on the aid provided by all and for all to satisfy the needs of all men.

In proportion to their means and powers, Mexico and the United States can contribute loyally to the achievement of that security and that peace. This is my deepest conviction.

William Werntz With Allen R. Smart & Co.

William W. Werntz, formerly chief accountant of the Securities and Exchange Commission, became associated with the firm of Allen R. Smart & Co., certified public accountants, effective May 5.

After three years on the staff of the Securities and Exchange Commission, Mr. Werntz became chief accountant in 1938. Prior to 1935 he was a member of the faculty of Yale University and the Yale School of Law as an instructor in accounting and in problems dealing with business law and finance. He is a graduate of Yale and the Yale School of Law and has been a member of the Connecticut Bar since 1931.

Holland at the Crossroads

(Continued from page 6)

In order to secure the sorely needed dollar funds, she has had to seek aid from the World Bank for international payments. She is also negotiating with private Wall Street financial interests for the flotation of a loan to tide her over temporarily.

The Foreign Exchange Problem

Holland's foreign exchange situation has been deteriorating, a situation which has forced the Netherlanders, who have already had so much to endure, to a lower standard of living. If the World Bank and private banking interests do not come to the aid of the Dutch in the very near future and place a larger share of credit than Holland has been able to secure at that country's disposal, it is felt that it will not only endanger that country's economic future but her ability to maintain a high standard of living.

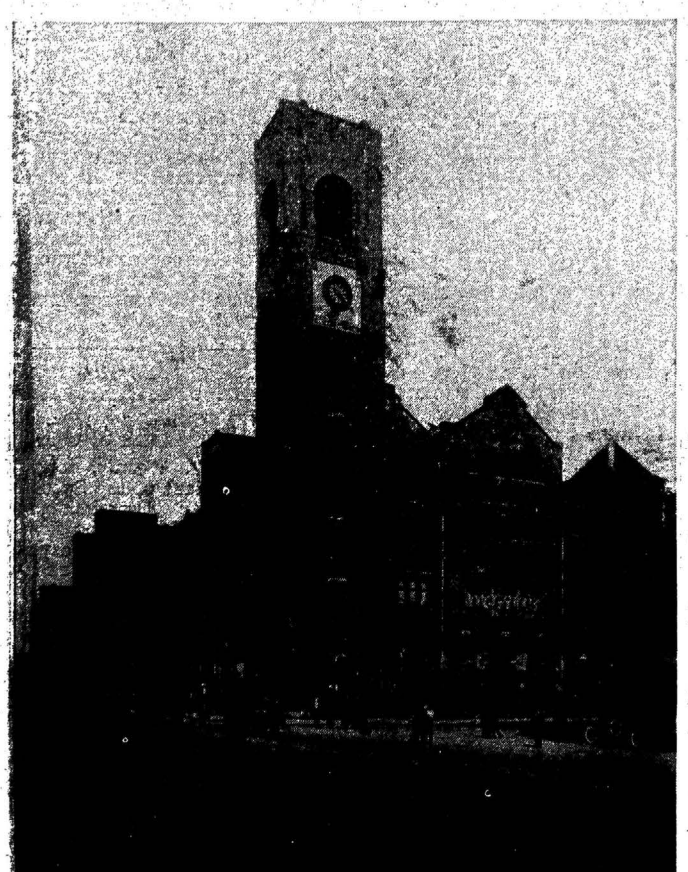
A plan is now being considered to prohibit the importation of such commodities as tea and coffee, and others that are more or less in the luxury class, which is expected to saddle the country with having to resort once more to the distasteful expedient of substitutes. Furthermore, as there are less goods for distribution and less ration tickets and, as there also exists a danger to maintain Holland's distribution of textiles, it is expected that there will be a drastic curtailment of the import of raw cotton and other materials from the United States. Holland will likewise do more trading with sterling bloc countries and with those nations with whom she has a better trade balance. The Dutch Government is considering, moreover, the distribution and rationing of grains and fodder, in order to improve Holland's general food situation. Only an improvement in her general position may prevent the adoption of such restrictive measures.

The economic structure of the densely-populated Netherlands has always presented a complex picture. Agriculture, industry, commerce and shipping have been closely related. In commerce and shipping the Netherlands was destined from earliest times to play an important role, due largely to her geographical position and because the products from her overseas territories were marketed for the greater portion in the mother country. Hence Holland's merchant marine contributed largely to her prosperity. Her commerce was the main stem of the country's economy, while agriculture, livestock and other industries had grown at a rapid pace prior to the last war.

Holland's prosperity has always been largely dependent on foreign trade, and her great strides in transportation brought the English and German markets within easy reach. Her trade with Germany, now cut off, has always been of prime importance. While on the one hand her export trade with the rest of the world has been one of the mainstays of her agriculture and industry, on the other hand much needed raw materials and large quantities of foodstuffs and manufactured goods have always been imported. But today her imports are showing a substantial excess over her exports. Holland's imports in 1946 exceeded her exports by more than half a billion dollars, which has resulted in an unfavorable balance of trade, affected even more by the tide of world commerce. The Holland exchange position poses one of the foremost problems before our international financial and trade programs.

Whatever the measures deemed necessary to improve the situation, Holland's credit standing, although having received a jolt, is still considered by American banking interests as *ace high*. On the other hand, Holland's program of a certain measure of industrial nationalization has not been looked upon with great favor, as that sort of expedient seems to present a close similarity to the conditions in Britain and the widespread trend toward communism. But actually, as always, the inherent conservatism of the Dutch will prove a bulwark against the pressures of any drastic changes to the complete left apparent all over Europe today.

THE AMSTERDAM STOCK EXCHANGE



As previously stated, Holland has always been an exporting country, and her best customers have always been her neighbors to the west, north, east and south; but today, due to the restrictive measures taken by Britain in Holland's dealings with Germany, she has been unable to trade freely. Since Holland's primary move appears to be to export, or otherwise perish, the obstacles placed in her path have been formidable.

The Prospective Customs Union

Seeking a way out of the dilemma, the first steps towards the ratification of the long heralded and much-talked-about Customs Union between the Netherlands, Belgium and Luxembourg have taken place, and only a week or so ago bills for such ratification were submitted to the parliaments of the respective countries. The aim is to arrive at a full economic and monetary union, a joint tariff schedule against other countries, a middle-of-the-road tariff that strikes a fair medium between the low Dutch and high Belgian tariffs. The arrangement moreover provides for the abolishment of duties among the three contracting countries.

Now in analyzing the possible advantages of this agreement, we do find first that each country will produce and manufacture only those goods peculiarly suited to that country. Next, each country will greatly increase, if not double, its home market, prices will be lowered and the quality of the products improved. Attempts will be made, too, to manufacture goods formerly imported from other countries. Lastly, foreign trade will be stepped up. This arrangement is expected greatly to aid the countries in question although it will not enhance the trade in certain commodities of other countries with the Netherlands. The export trade of certain items from the United States is expected to suffer.

The New Domestic Loan

In presenting Holland with a White Paper on her financial and foreign exchange situation, Finance Minister Pieter Lieftinck announced a 40 year domestic loan, to which subscription may be made only with proceeds of the sale of Dutch-held United States securities. This loan will be issued in terms of the United States dollar, and its repayment will be made in guilders at the Nederlandsche Bank's cable dollar rate, on the date when payments become due. Intended to furnish relief and ease the financial burden, it proposes to convert all the Dutch Government's debts into 3-3½-4% loans, redeemable in 1987. The total of all the loans together is 2¾ billion guilders, or almost 40% of Holland's consolidated debts. There are several types of loans, with the interest for the first 10 years being 3%, while the interest rate will be 3½% from 1957-1987. Financial interests in the Netherlands believe that the rate of interest is due to rise after the capital increment tax.

Prospective World Bank and Private Loans

At the same time negotiations have been going on for some time between the Dutch and the World Bank for a loan of from 200-500 million dollars, and with private American banking interests for a 20-50 million dollar loan or bond issue to be marketed to investors. Thus far no final agreement has been reached. In addition to the fact that Holland's name in this country is as good as it has always been, of added interest is the fact that Holland has about $800,000,000 in American securities in this country.

The White Paper on Holland's financial and exchange situation announced by Minister Lieftinck confirms in general outline what tradesmen, and especially those houses dependent on foreign imports, have dreaded all along. Drastic measures that preclude the importation of many foreign, including of course American products, have been proposed, since foreign exchange is urgently needed and must be secured at all costs. Under the plan, the government will not only prohibit the import of many hitherto imported products from the U. S. A., but will likewise stimuate Holland's exports, although it is realized that in this process her domestic trade will be greatly hurt. It has been decided further to cut the total of Holland's 1948 expenditures by almost one-third, as Holland's budget has given indications of possessing inflationary tendencies. As an index of how financial experts have been viewing this tendency — household articles incidentally have risen over 200% since 1940—the movements on the Amsterdam Stock Exchange have been displaying an upward tendency, so that international, shipping and industrial stocks have risen constantly.

In order better to understand how it is that Holland finds herself in such a plight today, despite her courageous and untiring efforts to extricate herself from that condition, it may be well to analyze briefly the extent of the havoc wrought by the war upon that country, which, until 1940, for her size was one of the wealthiest nations in the world.

War Losses

Holland's loss of wealth sustained in the war is estimated at some 8 billion guilders. (A guilder at the beginning of the war was worth 40.2 American cents.) Holland's national wealth, at the beginning of 1939, was evaluated at about 34.8 billion guilders. Her loss of wealth was for over 90% caused by requisitioning, destruction, war operations and reduction of stocks. Losses sustained in that country during the occupation are estimated at 6 billion guilders; unpaid bills for supplies to Germany amount to 4.5 billion guilders, while expenses for the army of occupation is estimated at 8 billion guilders. Holland's claim against Germany, as calculated at the latest available figure, totals 24 billion guilders. Holland estimates that a sum of 12 billion guilders is required for reconstruction and repairs.

Now let us look at Holland's means of production. In 1939 the manufacturing industry was one of the mainstays of Holland's economic welfare and amounted to 5 billion gilders, or 14.5% of Holland's national wealth. Despite the fact that her industries are speeding up production, are making a good showing, with war losses being wiped out, making considerable profits and paying satisfactory dividends, the fact remains that today, many of Holland's industries are still unable to go full speed ahead for want of raw materials. Depletion of stocks amounted to 800 million guilders; requisitioning and theft by Germany came to 450 million guilders, while the direct damage done by bomb, demolition, etc., amounted to approximately 250 million guilders.

Holland's mining industry (a vital spoke in Holland's economic wheel) is still suffering from the neglect caused during the years of the occupation. The mining industry's present output is 16,000 metric tons or approximately 40% of her pre-war production, while Holland's minimum requirement is 26,000 tons daily. Damage to the land from military operations and inundations amounted to about 275 million guilders. At the cessation of hostilities nearly 8½% of the cultivated 1939 area was flooded. Nearly half of this was under sea water. Amazingly enough, reclamation of these sea-water-sodden lands, due to ingenious methods, has taken less time than was anticipated. Yet, despite scant supply of fertilizer and other factors, the yield per acre, which before the war was the highest in the world, has done remarkably well. The yield in some products is way ahead, in others somewhat below. To complete this analysis of Holland's severe loss by the war, her Merchant Marine, which totalled 3.5 million tons before the war, was reduced to half its capacity. Direct war damage from bombing, mining and torpedoes, is estimated at 325 million guilders. Her inland fleet of 20,000 ships, with a tonnage of 4.45 million tons, suffered a considerable loss from requisitioning, especially for the contemplated invasion of England; of the 3,300 ships engaged in sea and inshore fisheries only a limited number remain.

On the whole, thus, the picture in the Netherlands is not exactly a rosy one. But it must be kept in mind that the Dutch have met previous black periods with great courage and success. They well realize what is now needed to solve the many problems of the current reconstruction era. Not disheartened by all the sad facts and with an indestructible confidence in the future, they realized that the rebuilding of their country, their cities, roads, railroads, industrial plants, in short the ravages wrought on their land by a cruel and ruthless invader, will require time and much money. Debacles that had often plagued the little country in the past served as a guide and have taught them well that intense international competition would have to be met in rebuilding their land, their sea trade, their industries, on which Dutch economy chiefly rests.

True, the situation is a complex one. What will tip the scale in that thrifty and industrious country's favor is the fact that Holland has always been an excellent credit risk and has never defaulted on her loans. And whatever the future, difficult as it may be, the capable, industrious and coolheaded Dutchmen will face it with the same determination as they have faced it many times before!

Westheimer & Co. New Hamilton Branch

HAMILTON, OHIO.—Westheimer and Company, members of the New York Stock Exchange and other exchanges announce the opening of the sales office in Hamilton, Ohio, at 318 High Street. A. K. Wuille, a life long resident of Hamilton, was appointed the Registered Representative in that office. Mr. Wuille is well known in Butler County circles, having all his schooling in Hamilton, and was in the automobile business for 22 years there. For the past 12 years, he has been in Government work, holding executive positions in Administrative Fields.

Westheimer and Company also have offices in Cincinnati and Dayton, Ohio.

Howard Schwartz VP Of J. H. Drass & Co.

SUNBURY, PA. — Howard D. Schwartz has been elected Vice-President and Sales Manager of J. H. Drass & Co., Inc., 440 Market Street. Mr. Schwartz was formerly associated with J. Arthur Warner & Co., Inc., as Manager of the Sunbury office.

Charles A. Irvin was appointed manager of the firm's trading department. He has been associated with the firm for approximately 12 years.

Gov't's Place in Labor-Management Relations

(Continued from page 9)

Wagner Act, which was passed in 1935, went a long way further in that direction.

In those 12 years during which the policy which was adopted avowedly to strengthen a weak and struggling, comparatively, labor movement, which was striving for recognition in American industry, we have seen that labor movement grow from a maximum of three or four million members to over fifteen million members, with union contracts covering close to twenty million employees in industry; tremendously wealthy and powerful organizations with some weapons which are denied to any groups in society; and I think a moment's reflection would convince anyone that a national policy adopted to foster weak, struggling, insecure unions, hardly fits the present picin labor relations.

Aims of New Legislation

Our job on the Hill, it seems to me, is to accomplish two things. The first is to achieve a more just balance in the legal rights and responsibilities of employers and employees and their representatives. We have to adjust that balance because, as I say, the last adjustment was 12 years ago and the picture has changed radically since then.

Our second task is to find a liberal, sound solution to various monopolistic and racketeering practices which have developed in labor relations.

In accomplishing the first part of that task, achieving a just balance again in legal rights and responsibilities, one point is the provision making unions, as well as employers, suable for breach of contract in the contracts they enter into, in Federal court. That is a simple matter of reciprocal responsibility. It is in both the House and Senate bills. I do not think there is any substantial objection to it in Congress except from the extreme left-wing, socalled, which does not want to see any changes, really, in present policy.

But the main job in achieving a better balance is in a revision of the National Labor Relations Act, and I think it is quite significant and entirely proper that virtually all of the changes that have been proposed in the Senate bill, at least, with which I am most familiar—I think most of those in the House bill probably dealing with the National Labor Relations Act—are designed almost entirely to protect the rights of individual employees which are guaranteed in Section 7 of that Act; in other words, the right freely to associate or not to associate, freely to choose their own representatives for collective bargaining without coercion from any source.

There are some new privileges given to employers. For instance, we are rewriting Section 9 to give the employer who is presented with a demand for recognition from the union the right to appeal to the National Labor Relations Board for an election, whether it is a single union or two unions demanding recognition. The present decisions of the Board and of the Supreme Court, both of which were split decisions, requiring the employer to recognize and deal with unions of foremen, is also dealt with in the bill—in both the House and Senate bills—by excluding bona fide foremen from the definition of "employees" under the Act. It does not deprive the foremen, who it is my conviction are an essential part of management, of the right to organize, but it does remove the compulsion on the employer to deal with them if he is convinced that thereby he will so weaken management as seriously to weaken his enterprise.

It also gives the employer the right to file a charge with the Board against a union representing his employees if that union refuses to bargain collectively with him. As all of you know, we have had quite a few instances in the past few years of unions refusing to make even a pretense at bargaining collectively.

We have also made some changes in the procedural sections of the Act in the interests of impartial and American type of justice. The House bill, for instance, has attempted completely to separate the prosecuting and judicial functions of the NLRB. We did not go that far in the Senate version of it, but we did attempt to hit at the two worst evils of combining those functions, namely, we abolished the review section. That is a group of attorneys now on the Board who review all trial examiners' reports, who in many cases, by their opinions, actually decide the cases. In place of that, we put the responsibility squarely on the individual members of the Board, give them enough law clerks to do the job, to let them decide those cases. We think that is a sound judicial procedure.

We also in the Senate bill specifically prohibit a practice which has grown up of having the trial examiner, to whose report or findings exception has been taken and argued before the Board in open hearing, then argued ex parte, in chambers, as it were, before the Board without the other party being present. That certainly is not a sound judicial proceeding.

The majority of the Senate Committee—and I think we will go along with it—is convinced that correcting those two major situations will go a long way toward helping the situation there. We did not want to go as far as the House goes in setting up a new independent agency in government. Personally, I hope that some day we can abolish the NLRB—I do not mean repeal the Act but write these rights and responsibilities of employees and employers and their representatives directly in the law and let them go directly into court. I do not like the administrative-law approach, particularly where fundamental rights of individuals are involved, and as I have said repeatedly, a President who wanted to do it could appoint a hostile board and no employee could get into court if that board didn't want him to, to protect the rights supposedly guaranteed by that Act. I do not think that is sound or liberal law, and the sooner we develop our labor relations situation to the point where we can get rid of that administrative-law approach completely, the better I will like it and the better off I think our whole society will be.

Rights of Employees Protected

In most of the revisions of Section 8 and Section 9 of the bill, which is the heart of the Act, as you know, the revisions actually go directly to protecting the full freedom and rights of employees. I suppose indirectly and inevitably they are going to help employers some. I can assure you that that was not the major purpose of the revisions, at least so far as I am concerned. For instance, in the Election Section, we give the employees who are in professional or craft units the right to a separate vote on whether they want to go into a plant-wide union or have a separate unit of their own. That is simply because those groups are very often higher skilled, usually in higher pay brackets, and they may get a very raw deal when they are lumped in with a plant-wide unit, and they should have the right to have a separate bargaining unit if they want it. That, incidentally, is one on which we have had quite a bit of employer opposition. It means that employers may have to deal with several unions instead of just one, and I will admit that is tougher, but I think the basic purpose of the Wagner Act—and I am in favor of keeping it that way—is to protect the rights of individual employees. I think if they want separate representation and feel that that is the way they get the fairest deal, they are entitled to have it.

There is a provision which corrects the present practice of the Board in treating men on strike who have been replaced and who have no right to reinstatement under the law; one way for purposes of Section 8 and a different way for Section 9 where they have an election. We provide that a striker who has been replaced and has no right to reinstatement shall not be entitled to vote in an election to determine a bargaining agent in a plant where he has no right to a job. We have one situation out in the redwood lumber industry in California where a carpenters' union, I think, called a strike; all 250 employees in the strike have been replaced, nevertheless under the Board's present policy if an election were held, the present employees would be outvoted by the men on strike who have no right to reinstatement on those jobs.

We also provide that in run-off elections, the two highest choices shall go on the ballot. As you perhaps know, the Board has followed the policy that if no choice receives a majority in the first election but, say, the AFL union gets 40% and the CIO union 20%, and no union 40%, they say that a majority voted for a union so they hold a run-off between the CIO and the AFL instead of between the AFL and no union. Under the change we put in, they would have to hold it between the two choices receiving the highest number of votes.

We also spell out more specifically the election procedure, giving any group of employees of a labor organization the right to file a petition for an election for certification, the right of a group of employees to file a petition for decertification, and as I said before, the right of the employer to file a petition when he is presented with a demand for recognition and direct the board to treat the petitions the same regardless of the source, which, unfortunately, they do not do now.

One more change in that section requires the board to treat independent and affiliated unions exactly the same in both elections and charges under Section 8(a)(1) and (2). As you know, the board has applied one rule in company domination cases to unions affiliated with the AFL and the CIO and an entirely different rule and much tougher one to independent unions. We do not think there is any justice in that, and again all of those changes actually protect the rights of employees.

Then in the unfair practices which are in the Act applying to unions and their agents, as it now stands on the Senate floor in some of the pending amendments, the present pending amendment would make it an unfair practice for a union to restrain or coerce employees in the exercise of their rights guaranteed by Section 7; a parallel practice to that against employers could do the same thing.

Closed Shop Provisions

And finally, there is the closed shop provisions of the bill. Both the House and Senate versions are very similar in that. They prohibit the closed shop. They would permit the union shop or maintenance of membership when a majority of all the employees in the unit, not just a majority of those voting, vote for it in a secret ballot conducted by the NLRB, but under the union shop or maintenance of membership, even when gained, an employee could not be dismissed when he was expelled from the union, or denied membership, for any other reason than nonpayment of dues. I think that provision eliminates the worst abuses of the closed shop and union shop, and as a matter of fact probably will stop its growth in American industry pretty completely. I doubt if there are many places outside of the AFL craft unions where they can get a majority of all the employees in the unit to favor it. It does not, however, leave the way open to a union collecting dues, and doing little else for its members. Fundamentally, it is wrong in principle, as Congress is saying, if 51% of the employees in a plant vote for it, to compel the other 49%, against their will, to join the union. I just do not think that is sound democracy or sound principle, because it seems to me the essence of our system is the protection and the guarantee of the fundamental rights of individuals and minorities. If we are going to permit a bare majority to place a condition like this on an individual's right to work, I think we have departed pretty far from that fundamental principle.

I have an amendment pending which would simply repeal the whole proviso and outlaw all forms of compulsory membership.

In our second task of dealing with some of the monopolistic practices and rackets that have developed in labor relations, again the closed shop is a major issue. Obviously, the closed shop is the purest kind of monopoly and outrates it as such in a great many places. I have told you how we deal with that in the House and Senate bills and how I think we should deal with it.

Secondary Boycott and Jurisdictional Disputes

The next is the secondary boycott and jurisdictional strike. As you know, President Truman has said he is against both of them, providing we make some exception for a secondary boycott that is for a legitimate purpose, but in six weeks of hearings, in the testimony of both Mr. Herzog of the NLRB and Secretary Schwellenbach, we were unable to get any kind of satisfactory definition of what is a legitimate and sound secondary boycott. Frankly, I am convinced after long study that you cannot define any legitimate secondary boycott.

Fundamentally, all a secondary boycott is, is the representatives of Employees of Employer A, B, and C taking it upon themselves to dictate the terms and conditions under which the employees of Employer X shall work, regardless of what the employees of Employer X want to do about it. Every case that I have ever seen is fundamentally a violation of the Wagner Act, because it is trying to force an employer, usually, to deal with a union which does not represent a majority of his employees. It is monopolistic. It grows, of course, out of the Supreme Court's interpretation of the Norris-LaGuardia Act which has been interpreted as exempting unions in pursuit of legitimate objectives in a labor dispute from virtually any law—Federal law at least—and the Norris-LaGuardia Act, if you will read it, defines labor dispute as anything that any union wants to call a labor dispute. That is a pretty broad exemption. I think it is far too broad for the good of the economy of the United States.

The House bill makes secondary boycotts unlawful. The Senate version as it came from the committee makes them unfair labor practices and directs the regional attorneys of the Board to sue for a temporary injunction whenever a charge is filed and the attorney is convinced that a complaint will issue. We have proposed an amendment which, instead of making them unfair labor practices—and I do not think there is any sound reason for subjecting this type of racketeering to the administrative-law approach—makes them directly unlawful and provides that the injured party, which is usually an innocent third party, can sue for damages or can go into court and get an injunction.

Monopolistic Union Practices

The third type of monopolistic practice is industry-wide bargaining. It is a relatively new thing in American labor relations. I do not know how much of it is due to employers and how much to unions, but at the present time I think the unions are pressing for it a little stronger than employers; but it certainly is clearly monopolistic, most obviously exemplified in the coal industry where the leader of one great union has the power whenever he feels like it of shutting down all the soft coal or hard coal production in this country. If that is not a monopolistic power, then I do not know what the word means.

Some of my colleagues in the Senate seem to think that monopolistic control of the labor supply in the nation is somehow different in its effect on the economy from monopolistic control of commodities. I cannot see it. Somewhere around 85% of the total cost of consumer products in this country is the cost of labor. It seems to me if we do not retain some semblance of a free market for labor services in this country, we are headed straight for a controlled economy. (Applause) Furthermore, if industry-wide bargaining ever reaches the proportions in this country which it reached in England, I think we will adopt the same solution that England has adopted, namely, nationalization.

The only thing, in my opinion, that really keeps the coal operators from getting together with John L. Lewis and taking the country for a ride is the fact that coal does have competitors in oil and natural gas and water power. If they didn't have any, it is a perfect monopolistic setup. The same thing would be true in steel. If Murray could get the major steel producers together—I do not think there is any competitor in the economy, really—they could charge all the traffic would bear and there is nothing we could do about it, and it would be to the advantage of both sides to do it. That is the way monopoly develops, but of course the public eventually gets wise and says: "O.K., that is too much power in private hands and we will take it over."

That is what they have done in England where they never had an anti-trust law and had these great monolithic unions, and they dealt with one another on a monopolistic basis. John L. Lewis, before our committee, made the best argument against this kind of concentration of economic power that I have heard yet when he told us how the British coal miners' union for 30 years blocked the mechanization of the British coal mines, which is one reason why their economy is in a jam today. True, Lewis has not done that with his power in this country, but as long as the power is there, there is always the danger that it will be used for that type of purpose.

As a matter of fact, some of these leaders of international unions are so convinced of their own power and so arrogant in their own power that they have not hesitated to deride the sovereign power of government in this country, which should

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Gov't's Place in Labor-Management Relations

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cause a lot of us to stop and think pretty seriously about where we are going.

Industry-Wide Bargaining

On industry-wide bargaining, the House bill prohibits it completely. The Senate committee version doesn't do a thing about it. We have two amendments pending which try to remedy that situation in the Senate.

On welfare funds, the House bill again prohibits them completely. The Senate bill is silent. We have proposed an amendment which is similar to the one that was in the Case Bill last year, which simply provides that they must be trust funds jointly administered, with the benefits specifically set out in the agreement so that they cannot become rackets. I think it is essential that we pass at least that much of a stopgap until we can thoroughly study the whole situation, how it fits into our social security program, and whether fundamentally, in principle, it is sound to permit the employer and the union to, in effect, divert part of an employee's earnings without his direct individual consent. Personally, I do not think it is.

Coercing and Restraint of Employees

So much for the main provisions of the bill. Yesterday on the Senate floor the Senator from Utah, Mr. Thomas, was arguing against the pending amendment which would merely make it an unfair practice for unions to coerce or restrain employees, and he warned that any kind of restraints on unions would mean that employers would go back to the good old union-busting days, and he quoted at length from the report of the LaFollette Civil Liberties Committee and presented, I guess, a fairly factual picture of some of the union-busting activities of employers a few decades ago, even as late, I think he said, as 1935 and '36.

In writing this bill, in so far as we have been able to, we have tried to avoid leaving any loophole for employers to do that. We have not changed in the slightest degree the unfair labor practices for employers in the National Labor Relations Act. We are trying to guard against that possibility, but there are a lot of high-powered lawyers who might possibly find loopholes for that sort of activity, and I am inclined to agree with the Senator from Utah that there are still some employers who, if they got the chance, would try that.

As a matter of fact, in my experience, employers and union leaders are very much the same kind of people. Some of them are pretty decent eggs who try to be fair, and some of them are pretty ruthless and greedy, and the employers when they had all the power and the privilege a few decades ago were just about as tough as some of the union leaders are today when the special privilege and the power is on their side of the table. There are very few human beings who can avoid being corrupted by too much power, and it doesn't matter whether they are employers or union leaders.

However, if that does happen in this legislation, assuming that it becomes law, it may not work perfectly, it may swing this pendulum back too far. If it does, I certainly shall take the lead in trying to make whatever changes are necessary to get it back on a basis of justice for all groups. I think one reason we are facing the very difficult problems we are facing today is because we have waited far too long to make obviously necessary changes in our national labor policy. We live in a dynamic society. A free society must change or it is on the way out, and the function of government in a free society is to adjust the laws, the rules which are supposed to provide substantial equity for all groups, to those changes in a free society. There are a lot of people who find that the current rules give them a little special advantage over the other fellow, and who always resist any change. They do not think far enough ahead, or outside of their own selfish interests enough to realize that in the long run the only way to preserve a free society is to change the rules as change becomes necessary in the interests of justice and equity. So I hope that if those changes become necessary, next time we will not wait 10 or 12 or 20 years before we make them.

Clearly, I think that management and employees have much more in common than they have in dispute. We should know enough about our own economy by now to know that we can only achieve higher living standards substantially as all of us increase production in this country. One group may by reason of greater power for the moment get ahead of other groups, but in the final analysis it levels out; they price themselves out of the market and they create unemployment and things get back to a sound balance, and finally we can consume only as much as we produce, and if we do not produce it just isn't there to consume.

Unfortunately, human nature being what it is, I am afraid that a pretty large segment of both union leadership and management do not put anywhere near as much emphasis on the things they have in common as they do on the points of difference, and so I believe that for a long time to come it is going to be very essential that we preserve completely in our national policy the right of the unions to strike against an individual employer, perhaps against a group of employers in a single community, when they are not able to reach an agreement. It is the only way I know to preserve a free economy and the free market for labor services.

Rights of Management

In the same way, management should have at least some chance and certainly the right to beat a strike when it is convinced it is called by the union on behalf of demands which are completely unreasonable. I do not think management has had probably as much chance as it should in that respect, partly and largely due to the lack of law enforcement with the kind of mass picketing lines we find. Most major strikes in the past few years, management has not even attempted to fight. They have just shut the plant down, which again perhaps has encouraged unions to call strikes when perhaps they shouldn't, because, after all, they see that the union, at least, never loses in the final analysis. The employees may take it in the neck, but the union itself never loses.

As I said before, I think employers and union leaders are very much alike, and both of them would kind of like to see the government lean a little over on their side, both in its policy and the administration, the execution of laws. For instance, a lot of employers would like to see unions tangled up by requiring a strike vote on the last offer of the employer before the union could act. I think they know as well as I do how that would hamstring effective union action. Personally, I think it would put a little special privilege on the employers' side. After all, nobody is proposing that the employer have to go back to a vote of all his stockholders before he can turn down an offer or a proposal of the union.

A lot of employers would like us to regulate very extensively the internal affairs of unions. I sort of thought I was elected and I thought the Republican platform was to get the government out of interfering with the daily lives of people and of organizations. It seems to me if we take away these monopolistic special privileges of unions and get rid of the closed shops, compulsory membership, as far as I am concerned, they can run their internal affairs any way they want to and I do not think it is any part of government's business.

The House bill, it seems to me, writes too rigid a formula for collective bargaining. Part of that, again, is this final strike vote. I do not think we know enough about collective bargaining at this time to write down in those kinds of rigid terms what it consists of. American industry is constantly changing, and certainly the pattern of labor relations has been changing very, very rapidly in the last 30 years, and I hope will improve a lot in the next five or ten years.

Another demand we hear frequently is that Congress pass a law prohibiting "featherbedding" clauses in union contracts. That rather surprises me. American management is supposed to believe in production and the free enterprise system, and if we can balance the legal rights and responsibilities in this law, then if American management hasn't the fortitude to fight to preserve the right of the individual to produce, I do not think any law can save the free enterprise system, frankly.

Probably in the final analysis, the present mess in our labor relations is as much the fault of employers as it is of union leaders. As I say, the latter have grabbed for power and mistaken liberty for license; but industry in the main has fostered industry-wide bargaining. A great many employers have welcomed the closed shop because it is a lot easier to deal with one business agent who has nice tight control over his members than it is with a group of free American employees. A lot of employers like industry-wide bargaining; they like community-wide bargaining. It is easier to turn your responsibilities for labor relations in your own particular plant over to an association committee and be absolutely sure that no competitior is going to get a better break than you do than to fight your own battle.

It reminds me of the old Super Man stuff that the Nazis used to put out. It does not take a Super Man to be a master or a slave, to let somebody else make his decisions for him, but it does take an individual with brains and courage to think for himself and risk his own decisions, to be a free American.

There are too many on both sides of the labor relations picture who seem to have forgotten that fundamental meaning of freedom. It seems to me that in the past employers very often have been far too tough; they have resisted unions when they should have recognized that collective bargaining was here and begun thinking about ways to get along with it and make it work. Unions are here to stay and they will perform a tremendous service to our economy the first time we hit a little recession, because they will keep industry from cutting wages too fast and starting the good old spiral of a depression, in my opinion. I think they perform their greatest service to society in a time of recession. Like businessmen when they are dealing in a seller's market, they tend to profiteer like everybody else.

I think, again, that employers very often in the last 10 years have yielded to unions when they should have stood up and fought. I have seen clauses in contracts which trucking associations have signed with the Teamsters' Union, and how any businessman who believed in the free enterprise system could sign away control of his business that way is more than I can understand. Apparently a great many of them seem to think: Well, we will operate for one more year; it looks like a pretty good year; we will make a profit this year and let the future take care of itself; and so they sign these contracts which turn over control of their own business to an outside agency.

I hope that we can write a law this year that the President will sign; that if he doesn't sign it that we can pass it over his veto. It will not be a perfect law, and once it is on the books, it will be up to both management and labor to make it work, and if they find bugs in it to come in and help us fix those bugs up. I hope that all of you will cooperate in that job.

Iowa Law Bans Closed Shop

On April 28 Gov. Robert D. Blue of Iowa signed a bill passed by the Legislature outlawing the closed shop and union shop agreements between workers and employers in Iowa. Associated Press accounts from Des Moines on April 23 had the following to say regarding the legislative action:

> The House passed the measure late yesterday 74 to 31 after adding a clause which would permit the issuance of injunctions to restrain any person or labor organization from violating provisions of the act. The Senate, which previously had passed the bill, concurred today in the House amendment and the bill went to the Governor's office.

The New York "Times," in reporting the signing of the bill in Associated Press advices from Des Moines on April 28, said:

> A second restrictive labor bill, one prohibiting secondary boycotts and jurisdictional strikes, was approved by the Legislature in the closing days of the 1947 session, but has not reached the Governor's desk yet.
>
> The anti-closed shop bill makes it unlawful to deprive any Iowan of the right to work because he is or is not a member of a labor union.
>
> It also forbids an employer to deduct union dues from a worker's paycheck without his written approval.
>
> Iowa is the 13th State to enact a law banning the closed shop. Other States where similar measures have been approved since 1944 are Arizona, South Dakota, Nebraska, Arkansas, Florida, Texas, North Carolina, Tennessee, North Dakota, New Mexico, Georgia and Virginia.

L. A. "Times" Raises Price On Home Deliveries

In its issue of April 27 the Los Angeles "Times" made the following announcement:

> Effective May 1, 1947, the home-delivered subscription rate of the daily and Sunday Los Angeles "Times" will be $1.75 per month.
>
> This rate adjustment is made necessary by the steadily increasing costs of newspaper production and distribution, including an increase in the cost of newsprint from $50 to $90 per ton—a jump of 80% since March 1, 1943.
>
> A portion of the increase in the home-delivered rate will be turned over to "Times" dealers to help meet rising delivery costs.

OPA Ends Some Rent Curbs

Announcement that rent controls would be removed on May 1 from 39 areas or parts of areas in 22 States was made on April 27 by the Office of Price Administration, which said that the number of people living in the places to be decontrolled is 1,241,065, compared with a total of 101,348,-381 people now living in areas under rent control. "There are only 120,243 rental units in the areas affected, as compared with a total of 14,202,776 units under rent control," said the OPA. The decontrol applies to all living accommodations in the areas. The action, OPA said, results from its continuous study of the need for rent control in various parts of the country. The study indicated that in the places from which rent controls were to be lifted on May 1, there has been a gradual improvement in the supply of available housing in relation to demand.

Number of areas affected is 39; States in which certain areas have been decontrolled are: Alabama, California, Florida, Georgia, Idaho, Indiana, Kentucky, Ohio, Maryland, Virginia, Michigan, Montana, Nebraska, Nevada, Southern New Jersey; part of Cleveland, Ohio, area, Oklahoma, Texas, Oregon, South Dakota, Washington, West Virginia and Wyoming.

In the New York "Herald Tribune" Washington advices it was stated that no further decontrol action is contemplated by the OPA's rent division before it is shifted on May 4 to the Office of the Housing Expediter.

Extend Time for Exchange Of Ctfs. for Panama

The Republic of Panama is notifying holders of its Arrears Certificates issued pursuant to the Service Readjustment Plan of Nov. 23, 1933, that the time in which the Certificates may be exchanged for Republic of Panama 3% External Sinking Fund Bonds, due May 1, 1941, has been extended from May 1, 1947 to May 1, 1948. The period for exchange of Scrip Certificates for 3% External Sinking Fund Bonds of the Republic in multiples of $50 principal amount also has been extended from May 1, 1947 to May 1, 1948. Copies of the Offer and Letter of Transmittal forms may be obtained from the National City Bank of New York, fiscal agent.

An official announcement said:

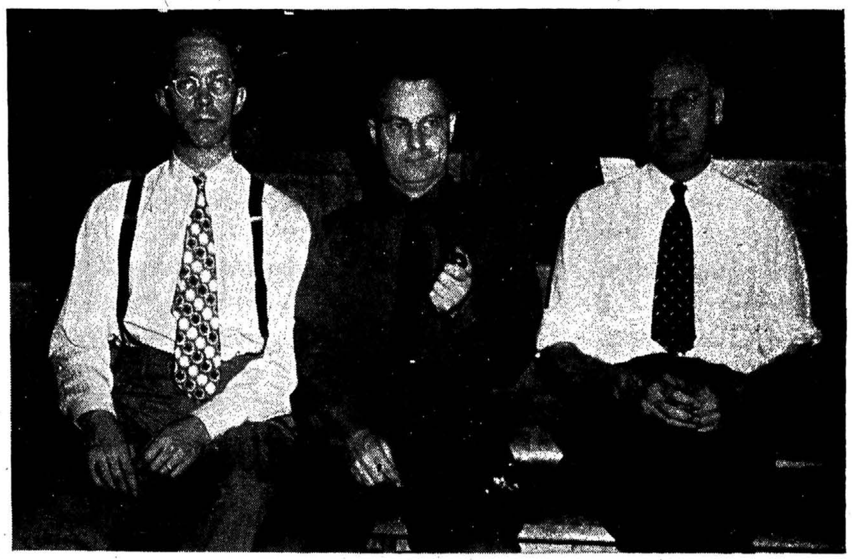
> "It was the intention of the government not to grant any further extensions after May 1, 1947. However, the government has learned that a certain amount of Arrears Certificates are held in Europe and the owners thereof have been unable to make the exchange of their Certificates . . . due to difficulties in release and shipment of these securities. The government does not intend to grant any further extensions after May 1, 1948."

Swiss Bank Corp. Names Two New Agents

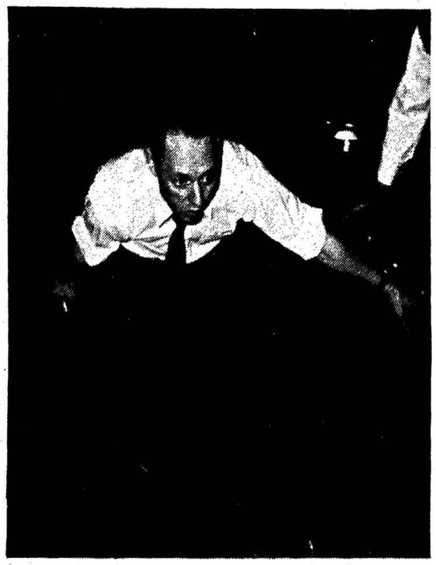
Swiss Bank Corporation New York Agency announces the appointment of two new Agents to facilitate the handling of an increasing volume of Swiss-American business. In addition to F. H. Gunther, present Agent, Edgar F. Paltzer, who has been Deputy-Agent, and Theodore Seiler, who had previously been Sub-Manager of the Rio de Janiero branch of The National City Bank of New York, also were named Agents. All three Agents will be located at the Corporation's New York Office, 15 Nassau Street.

Denver Bond Club Keglers Final Sweepstakes

The Champs: John Alff, *Amos C. Sudler & Co.;* George Shaw, *Merrill Lynch, Pierce, Fenner & Beane;* Pete Soden, *J. K. Mullen Investment Co.*



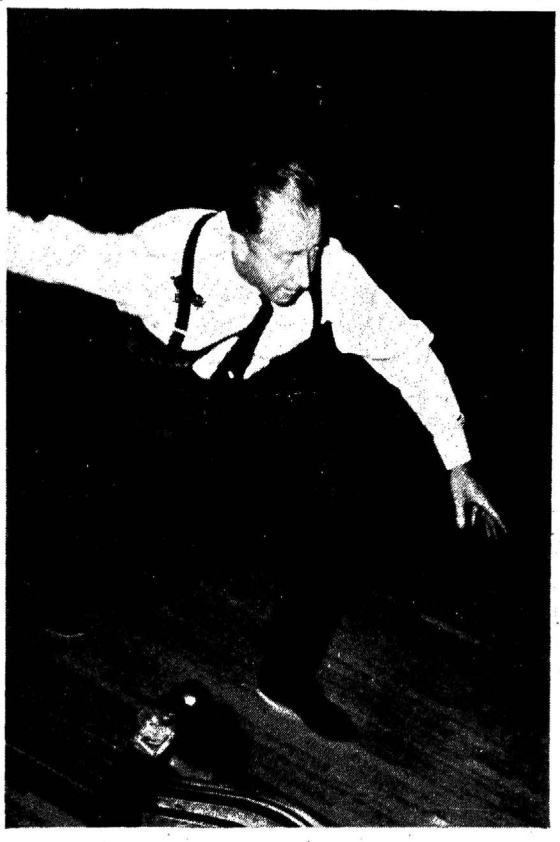
Runners Up: Jerry Bachar, *J. A. Hogle & Co.;* G. B. Richardson, *Garrett-Bromfield & Co.;* Harry Siple, *Harris, Upham & Co.*



Bernard Kennedy, *Bosworth, Sullivan & Co.*

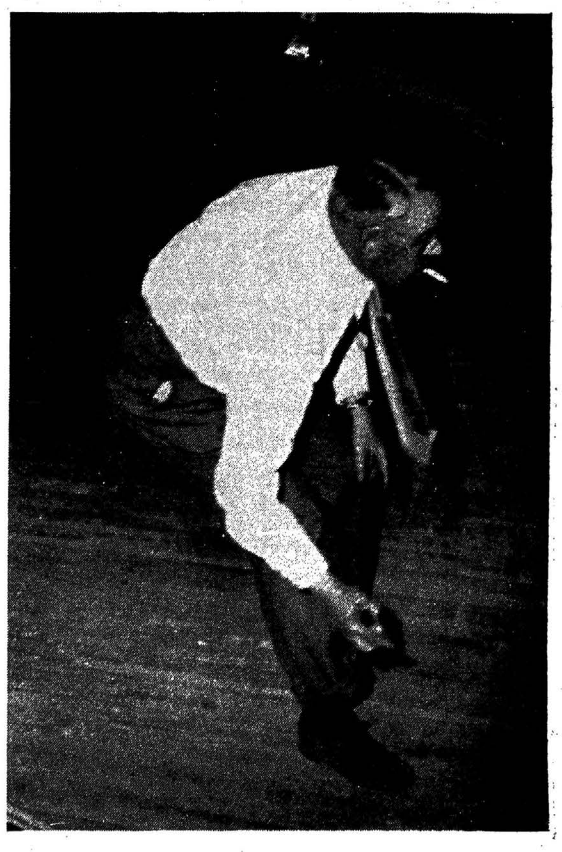
Thomas Wallace, *Central Republic Co.;* Channing Lilly, *J. K. Mullen Investment Co.;* Alex. Forsyth, *Calvin Bullock.*

Karl Mayer, *J. A. Hogle & Co.* (high average).



Donald Patterson, *Boettcher & Co.*

Phil Clark, *Amos C. Sudler & Co.*



Malcolm Roberts, *Sidlo, Simons, Roberts & Co.*

Pittsburgh Securities Traders Association

At the guest table: Ed. E. Parsons, Jr., *Wm. J. Mer'cka & Co.*, Cleveland; N. K. Parker, *Kay, Richards & Co.*, Pittsburgh; J. L. Quigley, *Quigley & Co.*, Cleveland; Wilbur E. Johnson, *Johnson & Johnson*, Pittsburgh.

Some played golf while others just played: George Fox, Bruce McConnel, Warren Irwin, and Frederick W. Brockschmidt, all of *Singer, Deane & Scribner*, Pittsburgh.

Henry C. Welsh, Jr., *Lilley & Co.*, Philadelphia; R. Victor Moseley, *Stroud & Co.*, Philadelphia, President of the N. S. T. A.; Robert K. McConnaughey, *Securities & Exchange Commission*, the speaker of the evening; Ed. E. Parsons, Jr., *Wm. J. Mericka & Co.*, Cleveland; Herbert H. Blizzard, *Hess, Blizzard & Co.*, Philadelphia.

(Left to right): Bernard C. Kelley, *Halsey Stuart & Co.*; R. S. Everson, *Reed, Lear & Co.*; John Emery, *H. M. Byllesby & Co.*; Charles D. Kalback, *Reed, Lear & Co.*; Harry J. Steele, *Fauset, Steele & Co.*; W. Stanley Dodworth, *Parrish & Co.*; Frank J. Gurcak, *Thomas & Co.*; James W. Sims, *Reed, Lear & Co.*; all of Pittsburgh.

Paul Eves, *Fidelity Trust Company;* John L. Fitzgerald, *Singer, Deane & Scribner;* Duane Barbour, *Merrill Lynch, Pierce, Fenner & Beane;* Horace Matters, *Moore, Leonard & Lynch;* Wilbur E. Johnson, *Johnson & Johnson;* all of Pittsburgh.

Speakers Table: G. Clifford Bodell, *Young & Co., Inc.*, Pittsburgh; Franklin O. Loveland, *Field, Richards & Co.*, Cincinnati; S. W. Steinecke, *S. K. Cunningham & Co., Inc.*, Pittsburgh.

Frederick S. Fischer, *H. N. Nash & Co.*, Philadelphia; Paul Yarrow, *Clement, Curtis & Co.*, Chicago; Michael J. Heaney, *Joseph McManus & Co.*, New York.

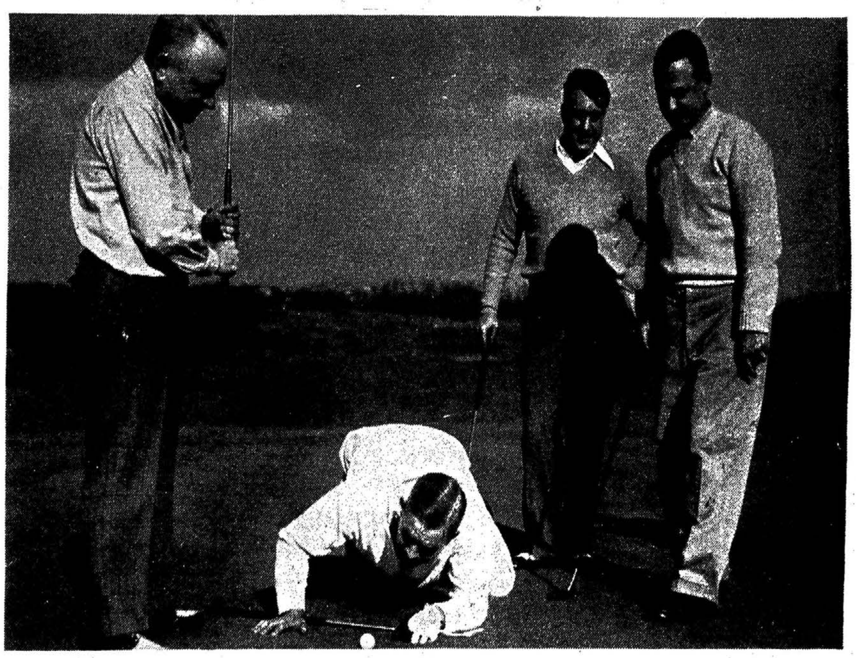
F. M. Ponicall, Jr., *Singer, Deane & Scribner*, a member of the Committee, slowly goes berserk as he tries to figure it all out.

First Annual Outing Held May 2nd

Too tired to pose: Russell Ergood, *Stroud & Co., Inc.*, Philadelphia; William Wallace, *Mellon National Bank & Trust Co.*, Pittsburgh; Rolly Morton, *Blue List*, New York; Leonard R. Sullivan, *Phelps, Fenn & Co.*, New York.

Robert K. McConnaughey, *Securities & Exchange Commission;* Paul Yarrow, *Clement, Curtis & Co.*, Chicago; Joseph C. Cabble, *Abraham & Co.*, New York City; Michael J. Heaney, *Joseph McManus & Co*, New York.

Scoring after the 18th green: Caddy; Robert Deakins, *Reed, Lear & Co.*, Pittsburgh; William Prosser, *National Steel Corporation;* Leo E. Eriksen, *Reed, Lear & Co.;* James Lear, *Reed, Lear & Co.*, Pittsburgh.



Laird Arthur, *Arthur & Guy*, is about to commit mayhem on his partner Lou Schwartz of *P. S. Robinson & Co.* as their opponents, G. P. Rhodes, Jr. and F. H. Hunter, both of *McKelvey & Co.*, look on (all of Pittsburgh).

Raymond M. Taylor listens as Bernard C. Kelley, *Halsey, Stuart & Co.*, discourses (both of Pittsburgh).

Putters All: J. S. Smith, *Westinghouse Airbrake Co.*, Pittsburgh; J. I. Gearhart, *Hicks Coal Co.*, Pittsburgh; N. K. Parker, *Kay, Richards & Co.*, Pittsburgh.

At Shannopin Country Club

"Spike" Overholt, *Mellon National Bank & Trust Co.*, Pittsburgh; R. Victor Mosley, *Stroud & Co., Inc.*, Philadelphia; Charles N. Fisher, *Singer, Deane & Scribner*, Pittsburgh.

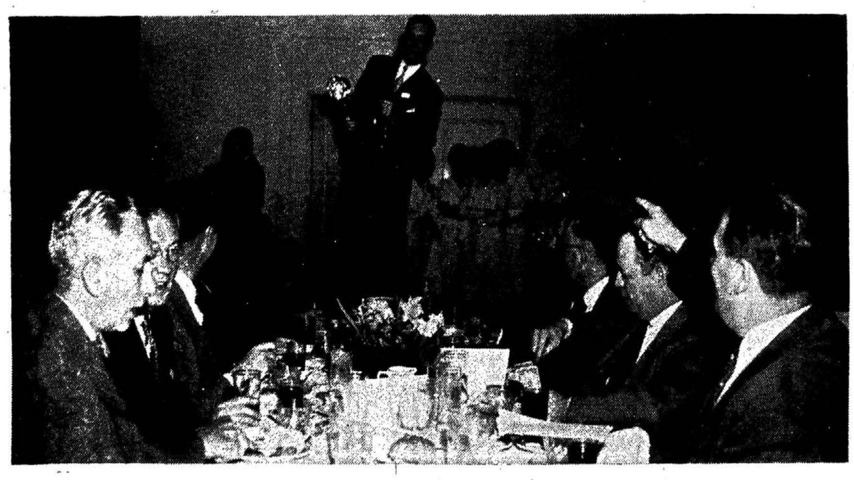
Lowrie Applegate of *George G. Applegate*, Pittsburgh; Judson Carstensen, daughter of J. M. Scribner, *Singer, Deane & Scribner*, Pittsburgh, who is seated next to her; Frederick L. Stout, *Stout & Co.*, Pittsburgh.

W. M. McCreery, *B. J. Van Ingen & Co., Inc.*, New York City; J. Arnold Brau, *Blair F. Claybaugh & Co.*, Pittsburgh; R. L. Johnson, *McKelvey & Co.*, Pittsburgh; F. F. Scher, *H. N. Nash & Co.*, Philadelphia; J. L. Quigley, *Quigley & Co.*, Cleveland; Elmer E. Powell, *Elmer E. Powell & Co.*, Pittsburgh; Samuel C. Carter, *Elmer E. Powell & Co.*, Pittsburgh; (playing the accordion) John Ballard, *Hemphill, Noyes & Co.*, Pittsburgh.

Nineteenth Hole: Duane Barbour, *Merrill Lynch, Pierce, Fenner & Beane*, Pittsburgh; William Carey, *Blair F. Claybaugh & Co.*, New York; J. L. Fitzgerald, Jr., *Singer, Deane & Scribner*, Pittsburgh; George E. Dedrick, *Blair F. Claybaugh & Co.*, New York; Paul Reed, *Blair F. Claybaugh & Co.*, Pittsburgh; Horace Matters, *Moore, Leonard & Lynch*, Pittsburgh.

Kenneth Moir, *Chaplin & Co.*, Pittsburgh; Edward C. Kost, *A. E. Masten & Co.*, Pittsburgh; Leo G. Griffith, *Stroud & Co., Inc.*, Pittsburgh; G. Clifford Bodell, *Young & Co., Inc.*, Pittsburgh; Charles Shanahan, *Singer, Deane & Scribner*, Pittsburgh.

John D. Ballard, *Hemphill, Noyes & Co.*, Pittsburgh, and Lowrie Applegate of *Geo. G. Applegate*, look over the score sheet after winning the Bocci Tournament at the Shannopin Country Club, May 2nd.



John P. Germain, *J. Arthur Warner & Co.*, New York, takes pictures at the banquet.

The gang whoop it up at the bar at the Shannopin Country Club

The Business Outlook

(Continued from first page)

the various stages of production have not been in balance. As production reaches balance, the supply of finished goods (both consumer goods and capital goods) will grow relative to incomes.

(3) A Drop in the Importance Attached by Individuals and Business Concerns to Goods Relative to Money: During the war great unsatisfied needs for goods which accumulated at the same time there was a rapid rise in the supply of money relative to incomes. As a result, people now attach abnormal importance to goods relative to money and are eager to exchange money for goods. So long as price controls were in effect, the desire to exchange money for goods was not permitted fully to express itself. The premature removal of price controls, however, caused prices to soar—as economists predicted. As the most urgent demand for goods is gradually satisfied, the importance attached to goods relative to money will decline. This means that the prices which in the fall of 1946 or the winter of 1947 were not too high for people's willingness to buy may become too high in the near future.

(4) Prospective Corrections in the Price Structure: This is a special form of the third reason for expecting a recession. The present price structure is very abnormal. Wholesale prices of farm products, for example, are about 160% above prewar, but manufactured goods as a class only about 75%. These abnormalities in the structure of prices reflect a multitude of conditions which governed the response of prices to wartime shortages. These abnormalities in prices will not persist indefinitely because the output of different varieties of goods will gradually be adjusted to the pattern of demand. As this happens and as backlogs of accumulated demand are met, "out-of-line" prices will fall. This drop, it is said, is likely to be contagious, with the fall in some prices creating lack of confidence in other prices which in turn will produce postponement of commitments and a decline in expenditures for the products of an ever-widening circle of industries.

(5) Conditions Which Are Unfavorable to Construction and to the Execution of Long-Range Business Plans: Construction costs are high and uncertain—higher and less predictable than they are likely to be a year or so hence. In anticipation of lower costs in the near future many forecasters expect much construction to be held back. As a result, building is not likely to increase sufficiently during 1947 to offset the drop in the accumulation of inventories.

Expectations of a decline in business have been strongly reinforced by the disturbing rise of wholesale prices during the winter of 1947. This advance in wholesale prices began late in January and seems to have ended early in April. It followed a period of stability which had lasted about two months. Indeed, on Feb. 1, the index of wholesale prices was less than 1% above Nov. 30. Farm prices and raw materials, after reaching a peak late in November, had shown an encouraging tendency to drift downward. Early in April, however, the index of wholesale prices was about 8% above the end of January, with farm prices up 11% and raw materials 8%. This renewed rise in wholesale prices was surprising to both businessmen and economists, and also disturbing. It naturally has engendered fears that the eventual correction in prices would be more severe than had originally been anticipated.

II

What are the merits of these forecasts of an early recession? The factual assumptions upon which the forecasts rest contain important elements of truth. For example, the accumulation of inventories will sooner or later come to an end and the various stages of production will sooner or later be brought into balance. Both of these developments may occur quite soon. As the most urgent of the accumulated needs for goods are satisfied, the importance of goods relative to money will drop. The pattern of production will gradually be adjusted to normal demand, and as this happens, important changes in the price structure are bound to occur. Finally, the impediments to building, to which many forecasters call attention, are real and important.

Does it follow that the forecasters are correct in predicting that these adjustments will produce a more or less severe drop in production and employment? By no means. Certainly there is a real possibility that the important adjustments which the economy must go through will produce the drop in expenditures which many persons fear. Hence the immediate business outlook is far more uncertain than is usually the case. On the other hand, it is also possible that the inevitable readjustments in the economy will occur smoothly without any decline in production and employment, or at least without any appreciable decline in production and employment. There are three principal possibilities:

(1) The increase in the supply of finished goods relative to incomes or the drop in the importance attached to goods relative to money may produce serious weaknesses in prices which, in turn, will produce postponement of commitments and still further weakness in prices. Obviously, this process could easily produce a moderately severe recession.

(2) The increase in the supply of finished goods relative to income or the drop in the importance attached to goods relative to money may occur so gradually and may produce such a slow decline in prices that no postponement of buying occurs. Hence the economy may adjust itself in an orderly fashion to the increase in the supply of finished goods relative to incomes and to the drop in the importance of goods relative to money.

(3) The increasing availability of finished goods which follows the end of the accumulation of inventories and the restoration of normal balance between the several stages of production may positively stimulate expenditures with the result that no drop in prices occurs. A substantial quantity of orders in many lines have been held back because deliveries were too uncertain and difficult. Hence increases in the supply of goods may actually stimulate demand for them.

Forecasting the immediate trends in business is essentially a task of analyzing which of these three principal possibilities is most likely to occur. The effect of the forthcoming adjustments in the economy upon production and employment will depend in large measure upon when they occur—whether they occur in the near future or only after some months hence and whether they occur simultaneously or at different periods. For example, a recession in business will be less likely if the accumulation of inventories terminates gradually rather than abruptly and if it terminates in the near future when inventories are still small relative to sales, and when there is still a large backlog of unsatisfied demand for goods, and when the importance attached to goods relative to money is still high. It is especially important that the accumulation of inventories shall not continue until there is a rapid drop in the importance attached to goods relative to money. Such a coincidence could precipitate a sudden and heavy unloading of goods in a weak market.

Let us first analyze the outlook for inventories. Is the accumulation of inventories likely to end at an early date and if so, will it substantially increase the supplies of goods? Let us next examine the demand for goods—consumer goods, industrial equipment, and construction. Is the demand strong enough and the backlog of unsatisfied demand large enough so that an increase in the supply of finished goods relative to incomes is not likely to produce serious weakness in prices and a postponement of commitments?

III

Is the accumulation of inventories nearing an end? At the end of February, inventories were still small by prewar standards. For example, retail inventories were only about 9% of the annual value of sales as compared with 12.6% in 1939 and 11.8% in 1940. Manufacturers' inventories were less than 14% of the annual value of shipments in comparison with 17.7% in 1939 and 17.4% in 1940. The fact that inventories are still small relative to the current volume of business suggests that the accumulation of inventories may continue for several months longer. Indeed, in many plants inventories are still too small for efficient operation.

Nevertheless, the accumulation of inventories is probably nearing an end—at least for the time being. Lack of confidence in prices is widespread and growing—it has been accentuated by the rise in prices since the end of January and by the numerous predictions of business recession. It is true that the increase in the value of inventories during February was large and that February also saw substantial increases in new orders. During February, however, the increase in inventories was largely in retailers' stocks. Furthermore, in February and again in March the rise in the value of manufacturers' inventories was smaller than in any month since last June. In both February and March, the rise in the physical volume of manufacturers' inventories must have been negligible. The drop in the accumulation of inventories by manufacturers may be expected to carry over into retailing.

Particularly significant is the fact that manufacturers have ceased to accumulate raw materials. In both January and February the item of purchased materials in manufacturers' inventories failed to advance in value. Significant also is the fact that the accumulation of "soft goods" by manufacturers has virtually ceased. It is in this field that earliest and greatest weakness in prices has been feared. During February, more than four-fifths of the rise in the value of manufacturers' inventories was accounted for by the durable goods industries and, in March, all of the rise in the value of manufacturers' inventories was in durable goods. There are many signs that new orders are being placed more cautiously. Outstanding orders of department stores at the end of January 1947, according to the Federal Reserve sample, were about one-third below the previous year. Purchasing agents report a stronger disposition to order more cautiously.

The foregoing analysis indicates that the rate at which inventories are being accumulated has already dropped substantially. This is an important fact. It means that the economy has already adjusted itself smoothly to a substantial part of the inevitable drop in inventory accumulation. The building up of inventories seems to be tapering off at a time when stocks of goods are small relative to sales and, in the case as manufacturing, to have ceased entirely where weakness of prices is most feared —namely in "soft goods." All of this, of course, is favorable to the stability of industry. The smaller inventories relative to the current volume of business, the weaker will be the disposition of managements to reduce inventories by hasty dumping in the event of a weakness in prices.

Unfortunately, good indexes of the physical volume of inventories are lacking. They are badly needed. The behavior of the economy during recent months strongly suggests that the rise of inventories during the latter half of 1946 was much more a value change and less a physical change than the forecasters of recession have assumed.

IV

What about the demand for goods, industrial equipment, and construction? Let us first consider consumer goods. Is the satisfaction of accumulated needs about to produce a substantial drop in the importance attached to goods relative to money?

Expenditures on consumer goods grew rapidly during the last year—from an annual rate of $121 billion in the first quarter to an annual rate of $136 billion in the last quarter, a rise of 12.5%. Has the demand reached the point where no further increase is to be expected, so that an increase in the supply of finished goods is likely to produce a marked weakness in prices?

To considerable extent the demand for consumer goods will depend upon expenditures by business enterprises for industrial equipment and upon expenditures by all of the community for construction. If these expenditures grow or are well maintained, payrolls and other forms of income will remain large and the demand for consumer goods will remain high. For some months to come, however, the demand for consumer goods will be less dependent than usual upon the level of activity in the capital goods industries. For this conclusion there are two principal reasons: (1) the accumulated need for consumer goods is still far from satisfied, and (2) the holdings of cash and bank deposits by individuals are abnormally large relative to consumer incomes and expenditures.

The accumulated needs for a few varieties of consumer goods, such as shoes and some kinds of women's apparel, seem to have been met. This may well mean scattered drops in some prices. It is not likely, however, to produce a drop in expenditures for consumer goods. The accumulated needs for many kinds of non-durable goods will not be met until late in the year. The shortages of durable consumer goods are very large and several years at least will be required to make them up. Hence, as the accumulated need for some goods is gradually met, the proportion of incomes saved is not likely to rise—at least not for some time. Rather the expenditures on other goods may be expected to increase.

In fact, as durable consumer goods become available, the proportion of any given level of income spent on consumer goods will rise—in other words the propensity to consume will rise. This means that the economy will be less dependent for the time being upon investment expenditures to maintain employment.

Automobiles furnish a good illustration of the enormous unfilled needs for durable consumer goods. At the end of 1946, the United States had 2.5 million fewer passenger automobiles than at the time of Pearl Harbor. In the meantime, the population of the country had increased by about five million and real per capita income had risen over 25%. It is safe to assert that every automobile will be sold this year which the factories can turn out. Household goods are another example of accumulated needs which are far from being met. The number of families in the United States at the beginning of 1947 was nearly four million more than at the beginning of 1940. A large proportion of these families have had little opportunity to buy furniture and other household goods. The number of families is expected to increase during 1947 at an even faster rate than during 1946.

Personal holdings of currency and bank deposits increased nearly 3.6-fold between June, 1940 and June, 1946, while incomes of individuals after taxes slightly more than doubled. In addition, time deposits held by individuals doubled and their holdings of United States Government securities increased about six-fold. In 1946, annual expenditures for consumer goods were only about 2.6 times the average total personal holdings of cash and demand deposits; in 1940, total expenditures for consumer goods were almost 8.4 times as large as personal holdings of cash and demand deposits.

The rate at which people spend their money is undoubtedly influenced more by the size of their incomes and by expected changes in their incomes than by the size of their holdings of cash and bank deposits. Consequently, one must not expect personal holdings of cash and bank deposits to be spent at prewar rates. Nevertheless, the large and widely distributed holdings of cash and bank deposits suggests that consumer spending will be less than normally responsive to any drop in consumer incomes. Furthermore, it suggests that as consumer goods become more readily available, expenditures for them will be stimulated. In any event, the large unsatisfied need for consumer goods and the large holdings of cash and demand deposits relative to incomes do not support the belief that there will be an early drop in the importance of goods to consumers relative to money and hence a sharp drop in the prices which consumers are willing to pay for goods.

It is a wholesome sign that consumers are becoming increasingly critical of price advances. This probably means that only part of the rise in wholesale prices between the end of January and the end of March will be transmitted to retail prices. This diminishes the danger that prices will be bid up so high that the rise will eventually precipitate a sudden and drastic drop in demand. Over the next year or two, the importance attached by individuals to goods relative to money will gradually drop—unless there is a great rise in money incomes. Consequently, business concerns should plan to maintain employment by reducing prices to offset the diminishing importance attached to goods.

V

What about the outlook for the demand for producers' durable equipment? Here also accumulated needs are very large. Indeed there was very little net capital formation in the United States between the end of 1929 and the beginning of 1946. In the meantime the population of the country increased from 121.8 million to 141.3 million—nearly double the population of Canada.

The virtual absence of net capital formation between the end of 1929 and the beginning of 1946 does not mean that the country had no more equipment in operation at the beginning of 1946 than at the end of 1929. It does mean, however, that during most of the last 17 years equipment was wearing out faster than it was being replaced and that the total unused life of the equipment and plant of the country at the beginning of 1946 was little more than

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The Business Outlook

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at the end of 1929. Equipment per worker, measured in terms of unused life, was substantially less at the beginning of 1946 than at the end of 1929. For many years prior to 1929 industrial equipment and plant per worker (measured in dollars of constant purchasing power) increased at the rate of about 2% a year. Measured in terms of the long-run trend, the deficiency in industrial equipment per worker is very great indeed.

The forecasts of the Securities and Exchange Commission and the Department of Commerce indicate that the expenditures of business, exclusive of agriculture, for equipment and plant will be at a slightly lower rate during 1947 than during the last quarter of 1946. Hence, an increase in these expenditures cannot be counted upon to offset any drop in the accumulation of inventories. Expenditures on industrial plant and equipment during the last quarter of 1946 were at a high rate—7.6% of the gross national product in comparison with about 6.5% during most of the twenties.

The recent forecasts of expenditures on industrial equipment, made by the Securities and Exchange Commission and the Department of Commerce, have tended to be moderately below the ultimate reality. Perhaps it will turn out that the forecasts for 1947 will be too low. The large wage increases granted last year and this in many industries will stimulate purchases of industrial equipment—at least for such kinds of equipment as have not risen in price since prewar as much as the price of labor has increased. Important in determining expenditures on equipment has been the rate at which producers have been able to supply it. As equipment becomes more rapidly available, expenditures for it will undoubtedly grow.

VI

What is the outlook for construction? Building got off to an indifferent start in 1947. During the first three months contract awards were only 21% above the corresponding period in 1946.[1] Particularly significant is the fact that contract awards in March, 1947, were substantially below March, 1946—$598 million, according to the F. W. Dodge reports, in comparison with $697 million in 1946. The poor start of construction led the Department of Commerce late in April to revise downward its original estimate for expenditures on construction for 1947. Late in 1946 the Department had estimated that expenditures for new construction, exclusive of maintenance and repair, would be $15 billion for the year. The revised figure is $12 billion to $13 billion. About one-half of the reduction in the estimate represents a lower forecast for residential construction.

The need for construction is very great and the building industry is operating at an abnormally low rate. In 1929, for example, expenditures on construction were 8.1% of the gross national product, but in the last quarter of 1946 expenditures on construction were only 4.3% of the gross national product. This is about the same proportion as in 1939 and 1940 when the industry was operating at a low rate.

The principal impediment to construction seems to be the expectation that building costs in a year or less will be substantially lower and far more predictable than they are today and the time required to complete a building project will also be far more predictable. There are no good indexes of construction costs—indeed, there is not even an index of retail building material prices—the prices which the small contractor pays. Building costs are represented by the bids of contractors. These bids have been high enough to cover low labor efficiency, costly delays imposed by shortages of materials, costly jurisdictional disputes, and to provide the contractor with generous profit margins—margins to which he feels entitled after the lean years of the thirties. Estimates of construction costs range from 60% to more than 100% above prewar. The average per capita income of the country is about 75% above prewar. Unless building costs were too low relative to incomes before the war, they are obviously too high now, except for urgently needed construction—of which there is a great deal. If the average of all consumer goods prices was about 75% above prewar, present incomes would not be sufficient to finance any increase in output over prewar.

If the building industry were to produce in physical volume only about one-fifth to one-fourth more than in 1946, some drop in construction costs from present levels would probably occur. Materials will be available to permit a rise of at least one-third in the physical volume of construction above 1946. Moreover, the quality of materials will in many cases be more satisfactory. The greater availability of materials should contribute substantially to a reduction in the costs of construction—at least costs to the contractor. Much construction last year was done with recently reestablished organizations which had not developed normal efficiency. The construction industry has been increasing its capacity. If physical volume is only about one-fifth to one-fourth more than in 1946, contractors' bids will probably provide contractors with less generous profit margins.

If the real costs of building as measured by contractors' bids show signs of declining, if the costs under cost-plus contracts become more predictable, and if the time to complete a project also becomes more predictable, will the expenditures on building be stimulated? Or will the very improvement in building conditions induce postponement of an ever-increasing number of building plans in expectation that building conditions will become even more favorable to buyers? No one knows the answer to these questions—that is an important reason why the business outlook is uncertain. Residential building seems to be more sensitive to high and uncertain costs than industrial and commercial building. Consequently, residential construction is likely to be slow in responding to lower and more certain construction costs. Industrial and commercial building, however, is another matter. Although many business managers are in a cautious mood, the need for new plants is very great. Furthermore, the increasing availability of industrial equipment improves the opportunity for enterprises to cut costs by building new plants or additions to plants, and the rising wages of production workers increase the need for managements to get goods made under conditions which are favorable for labor efficiency. Finally, there are important competitive advantages to enterprises in getting new plants completed ahead of rivals.

There can be do doubt that the quantity of industrial construction planned for the new few years is very large. Many managements will undoubtedly prefer to avoid embarking too heavily upon the execution of long-range plans until the business situation becomes clearer. Nevertheless, the amount of planned construction which might respond to lower and more certain building costs is very large. On balance, conditions seem to favor the conclusion that the volume of construction for 1947 will exceed the volume of 1946 by a greater margin than is indicated by construction and contract awards during the first quarter of 1947.

VII

This analysis points to the following general conclusions:

(1) The business outlook at the present time is far more uncertain than it has been in many months, because it is impossible to predict whether increased supplies of goods will induce postponement of buying or stimulate the demand for goods. In view of the large unsatisfied needs for goods and the low rate of consumer expenditures relative to personal holdings of cash and demand deposits, it is not likely that increases in the supply of finished goods relative to the income payments of individuals will produce a sharp drop in prices and a cumulative reduction in expenditures and in employment. Rather the prospect is either that there will be a slow and orderly decline in prices or that the increased supplies of goods will so stimulate spending that most prices will not decline at all. There can be no doubt that spending has been limited at many points by the inadequate supply of goods.

(2) The problem of adjusting the economy to the prospective end of the accumulation of inventories is less serious than many people have feared. Moreover, a substantial part of the adjustment to a decline in the physical accumulation of inventories has already occurred.

(3) The adjustment of the economy to a decline in the rate of inventory accumulation appears to be occurring at a time when inventories are small relative to sales.

(4) In view of the skepticism of many businessmen toward the business outlook, the level of employment is more dependent upon the demand for durable consumer goods, especially automobiles, than was the case last year. The demand for durable consumer goods is large and urgent. It is one of the most predictable elements in the business situation and a principal reason for believing that employment will be well sustained during 1947.

(5) The greatest weakness in the business situation is the high and uncertain cost of construction and the inability of the construction industry to meet time schedules.

(6) The large volume of unsatisfied accumulated needs for goods indicates that the decline in the importance of most goods relative to money will occur slowly—at least so long as money incomes are well maintained. This does not mean that there may not be drastic declines in some out-of-line prices. Business should prepare well in advance for a drop in the importance attached to goods relative to money.

[1]"Engineering News-Record," April 3, 1947, p. 49.

Commercial Lending vs. Consumer Credit

(Continued from page 2)

000,000 in outstanding cash instalment loans.

For all practical purposes then, the "consumer credit business" available to banks and their competitors in 1941 was limited to slightly over four billion dollars in net outstandings as of Dec. 31, 1941. This is a very substantial sum. However, as of the same date total loans and discounts of all insured commercial banks were 26½ billion dollars. The entire consumer credit field was only one-sixth as large as the commercial loan field of the banks.

Recently, it appears that many banks are letting their preoccupation with trying to capture a little larger part of the small consumer credit field divert them from developing the vastly larger commercial loan field in which they are far more experienced and face far less competition.

Peculiarities of Consumer Instalment Credit

Consumer instalment credit has its peculiarities, and there are some fundamental differences between it and ordinary commercial banking. If this had not been so, the banks of the country would have developed consumer credit along with their commercial banking activities, and the specialized agencies which were organized to operate in the field a generation ago would not have been born.

Basically, commercial loans are ordinarily those that are made for short term business purposes to borrowers possessed of sufficient readily realizable assets to show them to be in a solvent condition; whereas, consumer loans are ordinarily made to those who are "financially insolvent"—insolvent to the extent that current liabilities (or the amount of projected purchases) exceed the borrower's readily realizable tangible assets. Of necessity, consumer loans must be extended over a longer period in order that the borrower can gradually attain financial solvency out of income. The safety of consumer loans is based almost entirely upon income; whereas, commercial loans are backed up not only by probable earnings but also by assets that were in existence when the loan was originally granted.

The experience of the Morris Plan Banks, which pioneered in the field of consumer instalment credit, as well as the experience of other specializzed consumer instalment finance agencies, is a fine one. The record of losses of these institutions, which it should be remembered pioneered very, very cautiously, will compare favorably with the losses of commercial banks. Losses of these companies averaged between one-third and one-half of one per cent of loans extended.

There is considerable variation among institutions. Some institutions charge a higher rate of interest and hence feel justified in making loans which involve a higher degree of risk, and are for smaller amounts; while others making lower charges, because of restrictive legislation or choice, are compelled to maintain higher credit standards (accompanied by lower credit losses and, even more important, avoiding the increased collection expense) and to build higher average loan balances. These principles are common in every form of lending; rates necessarily vary directly with risk and credit and collection expenses, and inversely with average loan balance.

Many a commercial banker, new to the consumer credit field, just cannot see why consumer instalment lending can be other than exceptionally profitable business because of the difference between the rates charged on such loans and the charges made for commercial loans. He notes that the loss percentages in consumer credit are moderate, but he doesn't realize that heavy expenses, as compared with commercial lending, are required to keep these loss percentages as low as they are.

He understands that more handling and service is demanded by consumer instalment loans but thinks that "procedures can be mechanized" to keep down expense. However, machines or no machines, it takes 12 times as many operations to collect a 12-months consumer instalment loan as it does to get payment for a regular commercial loan.

But the main difficulty that is overlooked by the neophyte in consumer instalment loans is that whereas the rate charged is high (as measured by commercial bank standards) the amount of dollars secured is small—and every loan account regardless of size requires a certain amount of dollars to handle it per year. This amount of dollars can be secured by charging an extremely low, or even trifling, rate on a $10,000 or $50,000 commercial loan. But to get it from a loan of $100, $300, or $500 inevitably compels a high percentage of charge on the small size of loan balances involved in consumer instalment business.

Consumer credit rates can be lowered somewhat by increasing the average size of the loan accounts — by making large as well as small consumer loans. But obviously this average can never approach anywhere near that of commercial bank loans, particularly if the consumer credit institution continues to adequately serve the masses, as it should.

Consumer instalment credit, as handled by the institutions that are experienced in the field, is as sound as commercial loans, but it is no more fool-proof *per se* than any other form of bank lending. Some specialized consumer credit institutions whose executives did not possess sufficient experience or judgment have encountered heartbreaking experiences. We all know of similar experience in other fields of lending, for example, the field of residential and farm loans; and yet we know that these loans, if properly handled by people of sound judgment and experience, are as safe as any other type of loan.

When the consumer instalment credit idea was first developed, those specialized institutions which ventured in the field had little or no competition. It was possible for these consumer instalment credit agencies to keep their credit standards as high as they wished. As time progressed, those who were daring enough to venture into the making of a type of loan every one had previously agreed could not be soundly made ventured further, encouraged by the intimate knowledge of the business they had originated.

The liberalization of methods and requirements and the lowering of charges did not occur all at once, but very, very slowly over the period of a generation, as those in responsibility obtained the necesary intimate and detailed knowledge that only experience, and long experience, could give. There was no previous experience to guide them. It could not be gained from books or papers. Neither can this paper, nor all the books that have appeared or will appear, substitute for actual experience. The value of extended experience in consumer finance, either actual or by intimate observation, is just as great, but no greater, than in the commercial banking field.

Consumer instalment credit is neither safe nor profitable **per se**; it is neither safe nor profitable just because it goes by the name of "consumer credit." This isn't unusual, for when the commercial banker looks at the many-sided operations of his own institution, he must conclude that not one of these departments is safe or profitable just because it is that particular type of business.

If his checking department, which isn't expected to extend credit, is not under the management of an intelligent person of experience, it is easy to see how the bank could suffer substantial injury through any number of causes, and also how it might lose money through inefficient operation. Carelessness, born of a lack of experience, has been known to cause serious embarrassment in savings and safe deposit departments. The grief that has come to bankers by their failure to recall the declines, and the extent of declines, of real estate during the depressions of the past is easily remembered. All this adds up to demonstrate the great importance of actual or closely observed experience all the way around the business cycle in every form of lending.

All commercial bankers are justly concerned with expanding the usefulness of their institutions in their communities, with the expansion of public relations by serving a higher and higher percentage of the people, and with receiving increased profits as a just reward. This is as it should be.

Commercial bankers should cooperate with their competitors, the specialized consumer instalment finance agencies, to the great and important end that the people of this country get a brand of service through the combined efforts of all that will be so satisfactory and pleasing and so economical that they will support private banking and private finance against any suggestion that the government enter this field. This is the only way that American banking and American finance can avoid the trend recently evidenced in the banking changes in England and France.

If consumer instalment credit is to contribute to public relations of individual banks in particular, or the public relations of banking in general, there are a few details that must be understood and religiously followed. Consumer instalment credit, affecting so many millions of individuals as it does, is, in itself, a public relations operation.

In the first place, it should be pointed out that the smaller a consumer's station in life, the more subconsciously sensitive he is of the limited abilities he has displayed and the limited financial success he has attained. Because of this sensitiveness, he is more prone to be offended by any lack of complete and sympathetic attention from important officials.

Because of his station in life and his lack of financial success, he requires a sympathetic and extended interview, which will convince him that his problem is as important as any one ever placed before the lending officer. To him it is important. Any suggestion of the lack of importance of his problem because of its comparatively small size, or any effort to relegate him to a clerk or minor inexperienced employee who handles loans on a routine set of inflexible rules, will so offend this sensitive person as to create ill will (even though the loan might be eventually granted), and that is poor public relations.

The meeting of emergencies and the furthering of the aims and ambitions of insolvent families do not lend themselves to solution by inflexible rules. Their solution requires the sympathetic and extended attention of a resourceful person whose judgment and experience are such that he can aid the borrower in meeting his emergencies or accomplishing his aims and ambitions in a flexible way so long as it does not jeopardize the bank's funds.

The sensitiveness of the average consumer also must be taken into account in handling delinquency as it occurs. Statistics show that the average family meets a major emergency every 2¼ years. Chances are then 12 to 27 that something will occur in the life of a borrower that will disrupt his financial plans within the period of a 12-month credit extension. Not only good business relations, but the collectibility of the loan itself, depend upon the interested and sympathetic treatment a borrower gets at this time.

This treatment must be such as to instill in the debtor so deep an appreciation for the interest and sympathy, friendliness, and courtesy he has received, that he will resolve to make good. The importance of this considerate handling is evident when we remember that in the majority of cases no tangible security exists, and that it is either impossible or tremendously expensive to force payment by the borrower.

If, on the other hand, a demand is made of the debtor in an unsympathetic fashion and to an extent that it is impossible for him to meet, his resentment of this unsympathetic treatment and his feeling that the banker has not been fair with him will be reflected by an increase in the number of post cards in the mail over the signature of the referee in bankruptcy.

The foregoing is particularly true in the case of co-maker or other unsecured loans. In the ordinary financing of a tangible article, such as an automobile, there are many cases where an alert consumer credit officer will realize that the security is so ample that he can be very safe in granting the purchaser an extension of time.

However, when an automobile dealer is served so completely as to contribute to a high volume of sales, there are many times when the collateral, because of mechanical failure or excessive use or abuse, may not be worth the balance due. It is important in this case to so handle the purchaser that his desire to repay the consideration and kindness shown him will encourage him to go through with what he himself recognizes as a bad deal. Harshness and a lack of sympathy would otherwise result in a bothersome repossession to the dealer, or, if handled without recourse on the dealer, an increased number of repossessions on hand for resale.

The handling of both credits and collections in the manner advocated will be recognized as somewhat expensive. One of the most serious mistakes made by some newcomers in the field bears exactly on this point. They have calculated the mathematically higher rate of simple interest obtained on consumer instalment credit advances without a knowledge of the increased costs that this business involves. As a consequence, some have established a rate structure so low that they could not avoid routinizing their consumer instalment credit in the hands of inexpensive help if they expected to have any profit remain. They are thus between the devil and the deep blue sea.

The consumer instalment credit field requires a larger amount of personnel, space, typewriters, telephones, stationery, and even gem clips and rubber bands per $100 of outstanding loans that does commercial banking.

Some comparative figures bearing on the income, expense, and earnings of consumer banking and commercial banking should be of interest to those who assume consumer instalment credit business will be a bonanza for commercial banks. From the F. D. I. C. Annual Report for the year 1944, the consolidated statements of all insured commercial banks and figures of earnings for the year† have been compared with similar figures for 70 industrial banking institutions specializing in consumer credit.

The total current operating earnings of commercial banks were $2.14 per $100 of earning assets, which compares with $4.90 per $100 of earning assets for the consumer credit institutions. However, total current operating expenses of insured banks amounted to only $1.31 per $100 of earning assets, whereas total current operating expenses of consumer credit institutions were $3.82. Recoveries and profits on sales were identical in both cases at 35c per $100 of earning assets. Losses and charge-offs for insured banks were 26c as compared to 35c for the consumer credit institutions. The net profit before income taxes, based on per $100 of earning assets, was 92c for insured commercial banks and $1.08 for consumer banks.

The net income of the consumer credit specialists examined is, therefore, 16 cents higher per $100 of earning assets than that of all insured banks. However, it is to be noted that the gross income per $100 of investments is $1.55 for the consumer group as compared to $1.33 for all insured banks, due probably to the fact that the consumer group, being more nearly savings banks, can safely invest in higher yielding, longer term bonds, as well as longer term loans. The 22 cents higher income per $100 of investments is probably solely responsible for the 16 cents higher income on all earning assets of these consumer lending institutions, despite the fact that their gross income from loans was $7.81 per $100 of loans as compared to only $3.27 for all insured banks.

The figures further reveal that although the consumer group received a gross income per $100 of loans of $7.81 as compared to $3.27 for all insured banks, and 22 cents more per $100 of investments, their net profit before taxes amounted to only 20.53 per cent of their total gross income as compared to 37.03 per cent of gross for all insured institutions.

The consolidated statements show that 21% of the earning assets of insured banks was in loans, whereas 44% of the earning assets of consumer credit institutions was in loans—another reason for the slightly better earning record per $100 of earning assets in the consumer institutions.

If the insured banks of the nation in the future cultivate a little more intensively their own field of commercial loans, decreasing their investments coincidental with a slight increase in loans, they should earn the same rate as the consumer institutions per $100 of earning assets.

Consumer instalment credit is not the paradise, nor the Utopia, nor the one thing that will make banking as a whole profitable beyond imagination, as the writings of some of the newly initiated might indicate. It is a sound business when properly handled. When its higher expenses are subtracted from its higher gross income, it will in the future produce a profit comparable to commercial banking but not more. Competition among the specialists themselves will take care of that.

Now for those commercial banks that have not already entered the field, there are two ways to get in. One is the intensive all-out way required in order to be competitive with the more experienced organizations in the field, the specialized consumer instalment credit agencies. In order to do this, a very substantial volume is required in order to support and sustain a department headed by some one of long experience to whom a salary that would compliment most bankers must be paid, and in order to set up the specialized credit, accounting, and collection procedures that are necessary if the field is to be engaged in with safety and profit.

Unless volume is very substantial, such an organization or department on a profitable basis is highly questionable. In passing, it may be mentioned that there are 64 danger signals in the field of automobile financing alone. The specialists in the field have paid dearly to learn these 64 things. The importance of many of them seems very insignificant to the uninitiated and can be easily overlooked.

The other way to go into the field is not as spectacular, but may be found logical for a majority of the institutions that expect to enter. Perhaps it should begin with the bank's present customers who are now being handled at a loss on a commercial banking basis. A commercial bank cannot make a profit on handling a small 30, 60, or 90-day loan with a minimum charge of $1.00, particularly when the applicant or his security are not already intimately known and investigation is required.

Present customers, and others with records which would probably make them acceptable as commercial customers, can be offered the advantages of loans payable in instalments over longer terms than is customary in commercial banking. If credit standards maintained are comparatively higher in keeping with commercial bank standards, it should not be necessary to hire a credit specialist, and collection problems should be reduced to such a minimum as not to require a collection specialist. By starting cautiously in this manner, experience can be gained which can be further supplemented by observation of the manner in which loans are liquidated on the down side of a business cycle.

At a round table discussion on consumer credit, some commercial bankers indicated the reason for their lively interest in the subject by observing that there "just weren't any commercial loans," implying that there weren't any possibilities in the commercial loan field regardless of resourcefulness that might be exercised. The actual facts are quite to the contrary, as shown by the experience of the Pioneer Bank.

When the manufacture of consumer goods ceased and Regulation W pertaining to consumer credit was imposed in September, 1941, this bank was destined to lose, and did lose, 75% of its then outstanding consumer credit loans. By necessity, therefore, it had to seek new outlets in a community served by strong and aggressive competing commercial banks.

Nevertheless, by applying certain consumer loan principles in the commercial banking field, it obtained a volume of loans equal to 50% of prewar outstandings, with the result that its total loans and discounts never decreased more than 25% and soon stood at a figure higher than ever before.

The unusual thing is that the vast majority of these loans, the proceeds of which were utilized in the commercial field, were of a type new to a consumer banking institution. Among other things, they included field warehouse loans, instalment loans on manufacturing and commercial equipment, financing of government contracts and other accounts receivable, and a group of real estate loans which insurance companies are constantly importuning the bank to sell.

This experience indicated that there remain vast possibilities of expansion in loans and discounts for commercial purposes.

It hasn't been many years since advertising by commercial banking was regarded as unorthodox and undignified. Neither did many feel that it was conservative to invite customers to borrow money. All this time the consumer credit specialists were sawing wood without hindrance of any such inhibitions, without having any long-established precedents to overcome.

If the commercial banker is to exercise a similar ingenuity and resourcefulness as that typified by the representatives of our larger consumer finance companies, then he would be calling on his commercial customers and encouraging them to think of new lines or new expansion in old lines that would contribute to the customer's volume of business and profits and to the bank's income through increased loans. He would let it be known, also, that he would like very much to have good sound farm loans.

He would let it be known further that his bank, and possibly in cooperation with neighboring banks, would be very interested in looking over a proposition to see if it could be handled with less red tape and fewer restrictive features than government agency loans. It is not suggested that the commercial banks of the nation can handle any and all of the loans that are now handled by the Federal Land Bank, the Reconstruction Finance Corporation, Production Credit Corporation, and Farm Security Administration, but it would seem that a substantial percentage of the loans of these organizations would be considered a very high grade of commercial bank credit.

The experiences of such banks as the Valley National Bank of Arizona, the Bank of America, and a few others that have sought commercial loans and discounts in a manner typical of the merchandising methods of the consumer instalment credit agencies, suggest the possibility that much can be gained by applying modern merchandising methods in the development of business in the commercial loan field.

There is a strong possibility that an increased harvest by intensive cultivation can produce bigger results in a large field than a small one, and in the larger 26½ billion dollar field of commercial loans and discounts than the smaller 4 or 5 billion dollar field of consumer instalment credit. Commercial loans have not approached the saturation point.

Furthermore, when consumer sales are increased through the vehicle of instalment financing, then the factory whose name goes on the article and the small parts manufacturers, the distribution agencies, and raw material suppliers are called upon to expand their operations and produce more. This necessary expansion along commercial lines is reflected in an increased use of commercial credit and also an increase in capital through our national and local stock exchanges.

Incidentally, the cost of funds on the New York Stock Exchange, and particularly local exchanges, is frequently not at all low. First, there is the cost of underwriting, SEC compliance, increased taxes on increased capital, and usually premiums to be paid if preferred stocks are to be retired, which, coupled with an attractive rate of interest to an investor, will approximate, if not exceed, the cost of a commercial bank loan. Of course, investors will sometimes purchase preferred stocks, or possibly bonds, in a larger amount than would be safe for commercial banks to lend, but there are many cases, particularly with smaller companies, where commercial bank loans can be safely substitute for an expansion of capital structure.

Commercial bankers are not exercising as progressive and aggressive efforts to develop commercial loans and discounts as they are using in their consumer credit programs. Yet commercial lending is much larger and as profitable.

Some consumer bankers, themselves may be laboring under the same delusions as commercial bankers; namely, that consumer credit is much more profitable because of its higher gross income. The facts being as they are, there is a possibility, and even a probability, that the consumer banker seeking an expansion of his business might obtain better results by adopting modern business-getting methods in the larger commercial lending field which is not now receiving as much attention as the consumer field.

†Figures used were based only on July and December Reports and new ratios worked out on that basis so as to be comparable with reports available for the 70 industrial banking institutions.

American Business Outlook Under Truman Doctrine

(Continued from page 5)

by politicians. But I think sometimes that these discussions have usually been colored by the writer's viewpoint, by what he wants to happen or by what he thinks should happen.

Another difficulty is that foreign questions are complex. There is a political angle and there is an economic angle. We know they have a bearing on each other, but sometimes it is not plain just how or why.

I do believe, though, that a commonsense approach to these problems can be made. In this field, as in domestic affairs, no one will be able to tell you exactly what will happen, or when. I do believe, though, that we can get a reasonable idea of what the main trends will be, and how they will affect us. I believe also that the time has come for each and every one of us to sit down and do some hard thinking about these questions. And I believe that I can give you some facts and opinions that may keep you from wasting your own valuable time on false scents and deceptive illusions.

Your executive manager did not ask me here to make a sales talk for any particular brand of foreign policy. In fact, I couldn't make that kind of a talk. My organization publishes 13 services dealing with economic and political affairs, and serves many other clients on a highly specialized basis. Our clients do not allow us to theorize. They want common sense conclusions on a highly practical basis. You gentlemen, I can assume, want exactly what they want—simply to be told what I believe will happen and why. Consequently, I shall not hesitate to point out unfavorable trends and possibilities where I believe they exist.

Basic Change in Foreign Policy

Let's start out with the political angle, work from that to the economic, and then come back again to the political.

The big excitement of the last few months has been caused by what is described as a new foreign policy. Gentlemen, I must admit to you that I do not know exactly what this new policy is.

Let me explain what I mean.

There has been a change—a very important change. An old set of principles, accepted by most of us, and by our fathers and grandfathers, has been written off as obsolete.

We used to believe that international squabbles were inevitable and that war was a legal means of settling them, but that wars could be localized and the rights of neutrals maintained. Twice, in 1812 and in 1916, we fought in order to protect neutral rights. As the second world war approached, we at first relinquished some of our neutral rights in an attempt to stay out of war. These efforts failed, and I believe it is fair to say that this old set of principles is now discredited among the majority of the people.

It is in trying to identify the new principles, and the policies necessary to sustain them, that we run into difficulty.

The guiding motive, of course, is to avoid further wars. Since we doubt that we can avoid them if they occur, we must try to prevent them. We are therefore drawn toward a new belief—**that international quarrels can be settled without war.**

Now, let us consider this principle for a minute, as cold-bloodedly as possible. Let us admit its theoretical truth, but recognize that its practical effectiveness depends on its being accepted by all nations. Let us recognize that its practical effectiveness is still to be proven. And by all means let us recognize why we wish so earnestly to believe in it. **Having discarded the belief that wars can be localized, we are forced by the sheer horror of modern warfare to believe that they can be prevented.** This is all very natural; whether or not it is realistic only time will tell. Meanwhile, we and other nations who accept this principle have the task of trying to make it work in practice.

It is in developing the policy that will support this principle that new possibilities open up, and that we see the close connection between the political and economic problems.

(1) Can wars be prevented through the agency of international organizations — such as the United Nations, the International Bank, and the International Fund?

This at first was the general hope. But I believe that a part of the present uneasiness, the groping for a new policy, is due to a very decided wavering of that hope. It seems rather plain:

(a) That the United Nations cannot settle problems that it is prevented by a single veto from even discussing.

(b) That the International Bank can accomplish little that private investors could not accomplish when the bulk of its capital must be raised by selling bonds to these private investors.

I don't say that this hope has been abandoned, or that it should be. But it has wavered. It is bound to waver whenever there is evidence that some nations are not supporting the principle as earnestly as are others. And whenever it wavers, more attention is bound to center on the second question.

(2) Can the United States prevent wars by the sheer force of its own financial and economic strength?

There are two sides to this question, and we must examine them carefully. They are the crux of our international problem.

The first aspect I shall call the "peace through prosperity" thesis. It believes that chronic world depression is a chief cause of war. It would reduce trade barriers, stimulate the flow of trade; assist in the development of backward areas. United States resources would be used to provide leadership in these directions. Ultimately a new situation would be created. The world would be so busy and prosperous in using its great resources that it would have no time or inclination to fight over them.

The second aspect has been identified as the "Truman Doctrine." It would draw on the financial and economic resources of the United States to maintain the independence of free peoples whenever and wherever they were threatened by an outside power.

The circumstances under which this doctrine was enunciated have persuaded many observers that its first purpose at the moment is to contain Russian influence within its present geographical limits. The doctrine at least implies that the international organizations are too weak now to handle the political forces that disturb the world; that "peace through prosperity" is a long range program that can be effective only after a protracted period of incubation; that meanwhile a doctrine must be found that will at least stabilize present conditions and stave off further deterioration.

As with all doctrines, the ultimate character of this one will depend but little on how it is expressed and mainly on how it is applied. Its critics fear that it will develop into a policy of American imperialism; solidify existing spheres of political influence; keep the United Nations permanently at a level of international impotency; and defeat the effort to eliminate trading blocs and to increase the free flow of world trade. Many of its friends admit one or more of these possibilities, but insist that none of these results is inevitable; that the doctrine is a stopgap; that it will ultimately create a condition of international political stability under which international organizations can successfully take over.

As I see it, gentlemen, these are the main streams of our international political thought at the moment. We have had to abandon some of the most important principles that have influenced our foreign policies since the early days of our national existence. The policy with which Mr. Hull so long associated himself now encounters a new obstacle—world economic chaos originating in the war. The international organizations are young and their powers are limited. And Congress, maintaining its bi-partisan foreign policy, has been willing to apply the Truman Doctrine in the case of Greece and Turkey but has reserved the right to consider all new cases on their own merits.

That is where we stand now. Where do we go from here? In attempting an answer to that question I must turn aside for a moment, from the political to the economic.

International Economic Prospects

There are many ways in which foreign economic conditions affect the United States, and in which conditions here affect the trend abroad. We could wander all over the lot if we tried to consider all of them. I believe that most of them, however, show up sooner or later in our flow of trade, and that we can accomplish most by concentrating on that. As a further reference post, let us keep two questions in mind:

What effect will the Truman Doctrine have on the foreign trade?

And more or less conversely, what effect will changing trade conditions have on our foreign policy?

We know the foreign trade results for the full year 1946. It will help keep our feet on the ground if we recall what happened then. United States exports of goods and services in 1946 amounted to $15.3 billion. Imports of goods and services amounted to $7.1 billion, which left an export surplus of $8.2 billion. This surplus had to be paid for in dollars, which were raised as follows:

$3.1 billion received as gifts.

$2.2 billion through the reduction of foreigners' assets.

$3.0 billion through the reduction of loan credits.

You will notice from this summary that more than 50% of our 1946 exports depended on the ability of foreigners to raise dollars. Let me point out:

(1) Gifts will not continue indefinitely: According to all the estimates I have seen, gifts are scheduled to decline sharply. Ex-President Hoover, on his return from Europe, estimated that "total claims upon American generosity might amount to $1.5 billion or less in fiscal 1948." This is a decline of 50% from the 1946 level.

(2) Foreigners' assets are not inexhaustible: Liquidation of assets cannot go on indefinitely without reducing reserves to dangerously low levels. During the next three years, in fact, a further decline in foreigners' assets of $6 billion seems to be about the most that can be expected. This even makes allowance for newly mined gold.

That brings us to the question of loans and imports, and that is exactly where our main attention should be focused. Let me go back now for a moment, 33 years into our past:

Until 1914, this country was a debtor nation. An export balance was favorable, because it provided a means of paying interest and reducing the principal of our foreign debts. Between 1914 and 1918 we became a creditor nation.

After 1918 we continued to call an export balance a "favorable" balance, although it was in fact unfavorable. It meant, with as much certainty as we expect death and taxes, that foreigners would never be able to repay our loans, that sooner or later they would no longer be able even to pay the interest on these loans. And it means today just exactly what it meant 33 years ago.

The Connection Between Foreign Policy Prospects and Economic Facts

Now we must try to relate economic facts to political prospects.

I believe you will agree that both the nature of our foreign policy and its success will depend very greatly on the economic backing we put behind it. We can say to Greece and Turkey: "Resist Russia." And they will say to us: "Alright, we will give you a dollar's worth of resistance for a dollar's worth of supplies." We can say to Great Britain or to Sweden: "Help us reduce trade barriers, so that the whole world will be more prosperous." And they will say to us: "Alright, but not until later. At the moment our trade position is very bad. We need supplies from you, but we are running out of dollars."

It is plain, I believe, that world leadership cannot be purchased at a low price. But it is far more important, though perhaps less plain, that a high price will not guarantee world leadership. It is entirely possible to start out by paying a high price and end up by receiving nothing.

Let me express this idea more concretely.

(1) First of all, I see no evidence that farmers, businessmen, or labor unions in this country want an import surplus. On the contrary. They may admit in theory that an import surplus is in conformity with our position as a creditor nation. But abandon the tariff or whatever it is that protects their own position?—Never!

(2) Consequently, we must accept the fact that the great bulk of foreign loans made now will be repudiated later. Not right away —they weren't in the twenties, either—but some time in the next 10 or 15 years. And not in all cases, because there will always be some countries whose export surplus to us will keep their credit good.

(3) Human experience has taught most of us that there is no more certain a way to lose a friend than to lend him money he cannot afford to borrow. I believe that time will prove me right when I say that any foreign policy implemented by loans will be no better in the long run than the loans on which it is based. Now let us return to the two questions raised earlier.

What effect will the Truman Doctrine have on our foreign trade?

This doctrine will depend in the main on grants, or what might be called political loans—we won't expect too seriously that we shall ever get the money back. We accept the direct burden on the taxpayer (which is us) merely because it seems to be the best thing to do at the moment.

The previous discussion of our 1946 balance of payments leads us directly to this conclusion.

If the 1946 level of exports is to be maintained over a long period of time, and unless the ratio of imports to exports rises appreciably, we will have to provide dollars to foreigners, through "political" and commercial loans, at a rate that must rise to about $7½ billion annually say three years from now. I believe you will agree with me that amounts of this magnitude are simply not in sight.

I don't deny the probability of further grants and political loans, and I know that there will be some commercial lending. But it is my opinion that the export boom is very near its peak; that foreign as well as domestic buyers will restrict purchases as price weakness becomes more generally evident; that many more foreign countries will tighten their controls or impose new restrictions within the next 12 months; and that there will be a very sharp decline in our exports later this year.

Now the second question—**What effect will changing trade conditions have on our foreign policy?**

Unfortunately, any decline in United States activity and trade, now or later, will have adverse affects abroad, will create new difficulties, increase political tension and pose new tests for our foreign policy. The most critical days are still ahead, yet our traditional insistance upon an export surplus:

(a) limits the amount of economic backing we can put behind our foreign policy, and thus cripples it at the very time when it should be most sweeping; and

(b) makes it virtually certain that most of the loans we do make will be repudiated at a later date, and thus creates the prospect that any foreign policy supported by these loans will itself be repudiated by Congress when the loans go bad.

The United States is qualified by its resources to assume world leadership. The world is in a desperate condition but might still be saved by this leadership. The chief obstacles are the ones I have discussed here. I could almost weep when I tell you that, right now at least, I doubt very much whether these obstacles will be overcome.

Business Outlook

What I have said so far emphasizes the importance I attach to foreign trade and to the lending policies by which it is influenced. Their importance derives from their impact on our foreign policy. At this moment of history, I believe it is a simple truth to say that nothing on earth is more important than our foreign policy.

As a direct influence on our domestic business outlook, however, the changing level of our net exports will be a minor factor. The very fact that we continue to have net exports, of course, means that our loans do no lasting good for the world outside the United States, that the leadership which hopes to prevent future wars steps up to bat after two strikes have already been called. And of course another war would dominate all other business influences, just as wars always have in the past. But that time is far ahead. Meanwhile, it is perhaps no more shocking that so many of us fail to recognize this dreadful possibility than it is surprising that so many of us over-estimate the importance of export volume as a month-to-month business factor.

Let me be definite about this last point. Net exports, which so many experts have recently charged would cause further inflation, have an importance of only 5% against a weighting of 95% for domestic demand. In relation to our gross national product, in fact, net exports in 1946 were one-fifth less important than they were in 1920.

No, gentlemen, if you would make a really practical analysis of the business outlook, give net exports a weight of no more than 5%. Better still, forget about them altogether; you are bound to overlook something anyway, and it might as well be net exports.

For the next 12 months or so, business activity in the United States will follow a course preordained by causes most of which are already a matter of record.

Prices are too high. If we could dispose of all that is being produced at current prcies, business inventories would not have been gaining at the rate of a billion dollars a month ever since last June.

If you believe that the "voluntary" price reductions we have heard so much about in the last few weeks have been enough to save us from sharp and costly declines later this year, I am afraid that you are entertaining an illusion and placing your neck in a snare. If it were within the bounds of human nature to reduce prices voluntarily as much as they will soon have to be reduced, they would not have risen in the first place to the level they now hold.

Specifically, I believe the high for wholesale price averages was reached in March; that declines on the average will be gradual for a time longer; that the pressure of general inventory liquidation will be a factor later on, particularly in the fourth quarter; and that wholesale prices in March 1948 will average at least 20% below the peak.

Please don't think that I have forecast a depression. That word should be used only to describe economic declines of great magnitude and prolonged duration, like that of 1929-32. I have forecast a sharp reversal for business, but one which should last no longer than the similar decline in 1920-21, and which should measure somewhat less from recent high to forthcoming low.

Once this recession has run its course, I believe you can expect a five-year period of high-level activity. Production and prices will probably average below current levels, but should be about 60% above prewar for production and 40% for prices.

Business Man's Bookshelf

Machinery Industry, The—Part I—outlook for the American Industry generally, and examination of investment values—E. W. Axe & Co., Inc., 730 Fifth Ave., New York, N. Y.—paper—$1.00 (50c to public libraries and nonprofit institutions)

Facts & Figures on Government Finance 1946-1947 — statistical handbook—Tax Foundation, Incorporated, 30 Rockefeller Plaza, New York 20, N. Y.—paper

How to Buy a House—L. Douglas Meredith—Guide on problems of location, financing, costs in relation to personal income, insurance, and structural details—Harper & Brothers, 49 East 33rd Street, New York 16, N. Y.—Cloth—$2.50.

Aluminum Cartel, The — Louis Marlio — Brookings Institution, Washington 6, D. C. — Cloth — $1.50.

National Product Since 1869—Simon Kuznets—National Bureau of Economic Research, 1819 Broadway, New York 23, N. Y.—Cloth —$3.00.

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CHICAGO, ILL.—F. S. Yantis, F. S. Yantis & Co., President, Illinois Securities Dealers Association, announced today that H. M. Byllesby and Company, Inc., and Clement, Curtis & Co. have been admitted to membership.

Wage Adjustments, Down and Up, Could Mitigate Depressions' Evils

(Continued from page 2)

price control after the war until supplies were adequate, resulting in more stable prices for food, more stable wages and more stable selling prices.

Farm prices were raised by our Government. It granted subsidies and loans to enable farmers to withhold the crops but exacted no *quid pro quo*. Price floors, at a theoretical "parity" of 1909, were set under farm prices without any offsetting price ceiling. The obligation of the government to keep farm prices up, to protect the farmers implied a corresponding right of the government to keep farm prices down, to protect the public. The farm bloc is now silent when prices are too high for the consumer, but made a great outcry when farm prices were lower than "parity."

Government economists in 1945 and 1946 forecast that 13 million would soon be unemployed. That forecast was an error. To avoid such expected "deflation," they urged that the "take-home pay" at the peak of the war boom be continued. Therefore, the government urged a rise in wage rates per hour to offset the loss of overtime. Labor leaders, who previously had admitted privately that they would be satisfied if wartime wage rates per hour would hold up after the war, had no alternative but to approve the government's recommendation for higher wages.

Of course, workers' wages can be increased, not merely by raising rates but by lengthening the work-week. Thus, costs could have been lowered and selling prices reduced to the consumer.

When rises in wage rates exceeded the increase in the cost of living, labor leaders invented a new formula, "Wage rates must be raised because profits increased." However, this is a fallacy. **Wage increases are permanent, but profits are transitory.** Wages are rigid, but profits are fluctuating. Wages have the first claim on the dollar of income, but profits have no claim. They represent merely the balance, sometimes a minus, left after paying all claims,—wages, raw materials, taxes, depreciation, interest, etc.

The increase of wages raised the cost of production and raised the break-even point. Plants must work at a higher percentage of capacity to reach the point of profitable operations. Or a relatively smaller decline could make operations unprofitable.

Yet **union leaders insist that wages must stay up even when the cost of living declines and even when profits disappear.** The resulting losses to employers mean unemployment for the workers. Even if the owners were wiped out and the workers or the State took over the business as in Russia, costs could not exceed selling prices. Wages would then have a ceiling, determined by selling prices. Today the employer, who has losses, really subsidizes his workers.

It is convenient to make business the scapegoat for government errors. Business has been charged by labor leaders and by radicals with having caused the depression of 1929 to 1932. However, in 1928 and 1929, when commercial and investment bankers were urging a rise in interest rates to check the boom, the Federal Reserve Board at Washington opposed these efforts and compelled the Chicago Federal Reserve Bank to cancel the rise in its discount rate and refused to allow the New York Federal Reserve Bank to raise its rate.

Again, the government now has forced farm prices up 180%. This increase constitutes 70% of the rise in the cost of living. Furthermore, the government in 1946 urged wage increases in excess of the rise in cost of living and now impliedly urges a second wage rise. When the recession comes, the government and the labor leaders, who are largely to blame, will accuse businessmen again.

The effect of a decline in business is unemployment and its corollary evils. Eventually, even the workers in industry must themselves suffer because of uneconomic wage increases. **By raising its wages, labor prices itself out of the market and causes workers to be laid off that much sooner.** Discharging workers keeps the employers from bankruptcy but it creates a social problem.

Unemployment produces discontent, fantastic economic theories, irrational legislation, social frustrations and compensating irresponsible and vicarious aggression against minorities, economic, social, racial and religious. The subversive elements that threaten a stable society then sprout and flourish. They charge that free enterprise in a democracy won't work. But actually it is prevented from working by selfish groups. These must be checked.

Is there a cure? The errors of the past cannot be undone. But to go through a business recession without large scale unemployment would mark distinct social and economic progress. **If costs of production could decline in proportion to the decline in selling prices, deflation could be less painful to the individual and less harmful to society.**

To achieve this goal requires flexibility of costs. Rigid high costs in the face of declining selling prices mean business losses. Then employers must discharge workers. But lower selling prices create wider markets and larger volume. It is the high volume of production that makes for employment. High production presupposes profits, or at least no deficits. Temporary wage cuts lower the break-even point at which workers can continue to produce without loss to the employer.

Flexible wages will accomplish this result. Wage rates have gone up with the cost of living and with profits. They must also go down with the cost of living and profits. A free economic system cannot be rigid. It must have some flexible elements. **If wage rates are kept high and rigid, employment must decline.** But full employment requires flexible wage rates. There is a wage rate at which most workers can be employed most of the time. Flexible costs prevent deficits.

In Great Britain wages are flexible in several industries like coal, iron, steel, metal trades, textiles, shoes, pottery and railroads. In these, wages move up and down with the cost of living, with the per cent of capacity operations, or with the earnings of the employer. But with us, the unions insist on maintaining a high rigid wage rate even in the face of declining cost of living and increasing losses. As a result, **hourly wage rates stay up but weekly earnings go down.** Then, realizing the folly of such a policy, the unions permit secret rebates or "kick-back" of wages. "Hypocrisy is the homage which vice pays to virtue and truth to falsehood."

Of the total national income from 1929 to 1942, wages were about 69% and net income after taxes averaged 4%. Thus, a small decline in selling prices would wipe out profits entirely before touching wages. But profits are the mainspring of effort (even for workers) and are now the sole cushion against depression. If wages could yield a little after profits yielded all and fell to zero or to a deficit, production and employment could continue.

Why not recognize the truth? The facts are clear. Negotiations for reduction in wages should be considered when dividends are passed and profits turn to losses. Wage rates should be restored before dividends. **When the employer suffers a 100% cut in income, the worker should be willing to take a small temporary cut to enable the business to continue to employ him.** Otherwise he goes on the dole. He then takes a big cut, thus aggravating the spiral of deflation. A 10% cut in wages would cause approximately a 7% cut in the national income.

But when the union insists that the worker refuse to accept a 10% cut, he becomes disemployed. He then takes a 75% cut to the level of the dole but produces no goods. On such a 75% cut the national income can drop 50%. Such collapse of national income has happened in the past. It need not happen in the future. A modest reduction in the wage rate keeps the worker employed and gives him temporarily slightly smaller earnings. But such employment benefits other workers from whom he can still continue to purchase and it supports a higher level of national income than would result from unemployment on the dole. Why not face recessions realistically instead of by economic quackery, union prejudices and deceptive slogans?

To attempt to carry our national economy through a depression with a cushion of 4%, of profits alone, is like driving over a rocky road with a truck equipped with the springs of a perambulator. The truck itself may be damaged or even ruined thereby. In a depression our economy is shaken and may be shattered. But, if after profits declined 100%, wages could decline 10%, the cushion of flexibility would smooth the course through a depression and save our social order.

Under flexible wages, profits would be smaller in prosperity and losses would be smaller in depression. As a result, there would be less violent fluctuation in plant expansion, in heavy industry, in raw materials, in new securities issues and in bank credit. Managerial policy can reinforce this trend. Then employment and workers' earnings would be more stable. The evils of depression would be mitigated.

The interests of employers and workers are mutual. Both sides must give and take. Wages should move with the cost of living, both down and up. But **the worker should not demand maximum wage rates when the owner has deficits.** There must be reciprocity and equity between employer and workers. Otherwise, if wage rates rise with profits and do not decline with deficits, labor's policy would be "heads I win, tails you lose."

A free economic organization should have two-way adjustments. But it actually adjusts only one way by union pressure. Could an automobile be run with only an accelerator and without a brake? Could you have automatic heat control which allowed only for a rise in temperature but no fall? The human body survives only because bodily health depends upon prompt and automatic two-way correction of maladjustments.

A democratic economy, responding to the free choice of the consumer, can operate if competitive, flexible selling prices are based upon competitive, flexible wages. **A free market makes both selling prices and wages flexible.** A totalitarian economy based on centralized dictation can function, though serving the consumer less effectively, because rigid monopolistic wages are imposed along with rigid monopolistic selling prices. The totalitarian state sets both selling prices and wages to leave a profit or at least to avoid losses. Therefore, fluctuations can be lessened if not avoided.

Workers' earnings in Nazi Germany and Soviet Russia did not fluctuate between boom and depression. They were permanently frozen at depression levels, by American labor standards. They never rose. Boom standards never existed. Therefore, there was no cycle. Therefore also Soviet Russia fears to inform its masses about the United States. To maintain the disparity between the U. S. A. and the U. S. S. R. in real wages or standards of living requires not merely economic autarchy but intellectual isolation.

No economy of any sort can function if selling prices are competitive, free and flexible and wages are non-competitive, monopolistic and rigid.

But union leaders in the United States, fearing to lose their jobs, have opposed not only two-way adjustment, or wage reduction. They oppose even wage increases which are temporary wartime bonuses for a limited period subject to reduction depending on changes in living costs and profits. We must educate our labor leaders and our legislators in the elements of cost accounting.

Can we accomplish the aim of mitigating unemployment and depressions by means of a flexible wage? With statesmanship in labor and government we can. The qualities of statesmen are foresight, social inventiveness and courage. Original and creative legislation could provide special incentives to unions and to corporations adopting profit-sharing and flexible wages.

But economic society has been governed not by commonsense, but by slogans; not by logic, but by popular prejudices. Our elected officials heed the organized minority in pressure groups, but the unorganized majority also votes. This was demonstrated in November, 1946. Now is the time for statesmanship.

We should learn by education, not by suffering; by foresight, not by catastrophe; by mutual beneficial cooperation, not by selfish destructive pressure-group tactics.

The rule of biological life is—adjust or die. Many species that could not adjust have become extinct. Social institutions also become extinct, and even civilizations. Witness the passing of feudalism in Europe, of communism in the Plymouth Colony, of negro slavery in the United States, the collapse of Czarist Russia, of Imperial Germany and more recently of Fascism and Nazism. **Communism in the Soviet Union, born in 1917, became extinct in 1921,** when Lenin set the New Economic Policy (N.E.P.). This is a mixture of state capitalism and private capitalism under a continuing tyranny having its historic roots in Czarism. The communist formula "to each according to his need" was replaced by Article 118 of the Soviet Constitution "to each in accordance with the quality and quantity of their work."

If labor unionism is to survive, it must cooperate with employers and with government in avoiding losses and thus preventing or checking violent economic fluctuations which threaten democratic society. Else unionism will fail and the American Republic, the last stronghold of free men, may be destroyed. Its permanence is neither inevitable nor guaranteed. Other republics have become extinct. The Acropolis in Athens, the Coliseum in Rome, the charred Reichstag and rubble in Berlin are their tombstones.

What Is the International Bank?

(Continued from page 4)

the work for which the Bank was organized. I shall tell you briefly something about the Bank, what it is supposed to do, and how the management expects to do it.

The member countries own the stock of the Bank, $3 billion worth, and each votes this stock through a Governor. Most of these Governors are Finance Ministers of their countries. In the case of the United States, the controlling body is the National Advisory Council consisting of the Secretaries of the Treasury, State and Commerce, the Chairman of the Federal Reserve Board and the President of the Export-Import Bank.

The stock is distributed between the member countries on the basis of their size and economic resources, with the United States holding 40%. The stockholding members are represented in the Bank by 12 Executive Directors. The five largest stockholders each have one Director and the others are elected by groups of countries. These Directors, or their alternates, give their full time to the business of the Bank. However, their functions are to decide on policy and not to manage the Bank.

The management follows the ordinary corporate form, with a President, a Vice-President, and heads of the various departments. As you know, John J. McCloy, former New York lawyer and Assistant Secretary of War, assumed the Presidency on March 17. At the same time I became Vice-President and the executive officer to function as general manager of the Bank. Eugene R. Black, formerly Vice-President of the Chase National Bank, was nominated by President Truman and confirmed by the Senate as American Executive Director.

We found that the Bank was well organized with a staff of some 200. The key personnel represents an experienced group drawn from various countries. For instance, of the heads of the eight departments into which the organization is divided, four are American, two Canadian, one French and one Dutch. All these men, as well as the remainder of the staff, have been carefully chosen solely on their record of experience and performance.

It is our firm intention to develop an organization which shall be as capable and efficient as that of any other institution, private or public. So far there has been no pressure, political or otherwise, regarding the selection of our staff, and I am confident that there will be none.

Only 20% of Capital Paid In

The most prevalent misconception concerning the Bank is that it has $8 billion on hand available to loan. The facts are these. Of the $8 billion issued capital, 20% is paid in, or will be in the coming few weeks. This is the entire amount that the stockholders will pay, unless the Bank requires funds to meet its obligations. In other words, for each one dollar (or its equivalent in other currencies) paid in, $4 or its equivalent, is on call to protect the obligations of the Bank. If needed, the Bank is required to call for these guarantee funds. The United States has paid in $635 million and is committed to pay up to a maximum of $2,540,000,000 additional upon call from the Bank to cover liabilities.

Except for 2% paid in gold or U. S. dollars, the capital subscriptions of each member can only be loaned by the Bank with the member's consent. At present, only the United States has given this consent. Therefore, under existing conditions, the Bank will have available to loan only its $725 million of capital and such additional funds as it may borrow in the American market. Furthermore, we realize that the investors in the Bank's bonds will for a time give preponderant weight to the dollar guarantee of the American Government.

The question is asked why the United States alone has made available its subscribed capital for loans. The answer is that most of the other countries, two years after the end of the war, are simply not yet able to make loans. However, we consider it of the greatest importance that as rapidly as each country gets over the hump in its economic recovery it will make available its subscribed capital, and that within a reasonable time the currencies of the stronger member countries will be added to the loanable funds of the Bank. Furthermore, we look forward to the time when the bonds of the Bank will find a ready sale among investors in other countries. It is only fair to point out that certain countries, notably Canada and Great Britain, have, since the end of the war and before the Bank has started loan operations, made substantial direct loans abroad and have thus already done much to stimulate production and trade.

Question of Dollar Exchange

A question which inevitably arises in any discussion of the lending of dollars abroad is whether the borrowers will be able to get the dollars to service the loans. This is really the $64 question which must be faced regarding any loans made from the United States—whether directly by the Government, through the International Bank, or through the private investment market. The United States has become the great creditor nation of the world. Its wealth and economic strength is at present so preponderant that for a time it alone can supply the capital necessary to restore productive facilities in many other nations. Now a creditor nation is like any other business capitalist. It is like your savings banks, the insurance companies, the large private investors. It puts its money to work and expects to have a fair return on its investments.

If capital is loaned or otherwise invested wisely it should enable those who use it to produce goods and services and sell them and make profits out of which they can pay a fair rate to the owners of such capital.

The International Bank intends to lend funds for such productive purposes. For a time it will lend predominately United States dollars. The borrowers will produce goods and in the end the United States must buy sufficient goods from the rest of the world to enable the other countries to pay a proper return on the capital which they have borrowed in this country.

We believe that, looking to the future, the United States can advantageously buy raw materials and goods produced by others in sufficient amounts to enable borrowers to make the required payments. As more countries recover their ability to sell and to buy and the total of world trade expands, the result will be a greater supply of all currencies, including dollars.

Now let us turn to the more specific operations of the Bank. What sort of politics and practices are we going to follow in operating the institution?

Will Make Only Productive Loans

Briefly, the objectives of the Bank are to make productive loans which will aid in the reconstruction of devastated countries and in the development of sound economic projects in underdeveloped areas. Obviously, it would be impossible and inadvisable for any one institution to provide all of the funds which are needed. One of the basic principles of the Bank is to blaze the trail in the postwar world and thus to encourage and justify private capital in following along. This trail blazing is necessary. As the world struggles to recover from the effects of the war there are certain risks arising from general political and economic instability which private capital is not yet in position to accept and the amounts required are too large to be quickly mobilized privately. We hope and believe that the loans which the Bank shall make will be of vital assistance in the process of recovery, and that within a measurable time conditions in many parts of the world will be sufficiently improved to induce private investors to place their funds directly.

The Bank's loans in all cases will be made either to the governments of the member countries, or to enterprises situated within them and guaranteed by the member governments, by the central banks or by other comparable official organizations. The Bank is also authorized to participate in and guarantee such loans made by others. In other words, we have considerable flexibility as to the form in which we supply credit, but whatever the form, we shall insist that the purposes for which our funds are used are constructive, practical and essential to building up the production and trade of the borrowing countries.

Furthermore, we are required to pay due regard to the probability that the loans will be repaid. I can assure you that we are conscious that the funds we supply are loans; they are not gifts.

We hear much in these days concerning political loans. As ordinarily used, I think that means loans which are for some purpose other than economic. The proposed loans to Greece and Turkey are in this category. It has been frankly stated by the United States Government that these are in effect grants for purposes beyond the economic development of these countries. This type of loan is completely different from the economic purpose loans for which the Bank is designed. The Bank has no intention of, in fact it is prohibited from, engaging in any such non-economic loan operations.

Regarding the applications for credit which are presented to us we are attempting to give first consideration to the most urgent needs. Basically we are seeking to eliminate bottlenecks and to help restore and expand productive facilities which will contribute most to the healthy revival of the individual country and of world economy.

We have adopted the principle of successive advances. Stated simply it is, that we shall make a loan for pressing needs to a deserving borrower, and be willing to give consideration to further advances as the borrower demonstrates that it is making good use of the funds and can show need for additional loans.

This sound principle is further made necessary by the present limited loanable funds of the Bank. Certainly, we can only lend what we have.

There are no illusions among us in the Bank that we can save the world. We can only help only those who help themselves. The future of every country must depend primarily on its own willingness to work hard and to use to the full its own resources. In all of the applications which we have studied up to date the funds which we may be willing to supply will only fill a small portion of the total needs of the borrower. The greater portion of funds and of materials, and practically all of the manpower, must be produced within the countries's own borders. We should help only if we are convinced that the people of the country will make their maximum effort.

An Aid to International Economic Recovery

It is obvious that full economic recovery and development cannot take place without an increase in the free flow of credit. And credit is based on confidence—on not only the ability, but on the will of people to pay their debts and meet their obligations. Therefore, we feel that it is necessary to take into account, among other factors, the credit record of the potential borrowers who come to us and to appraise fairly the effort they have made and are making to pay their existing debts. We have a great interest in all steps which tend to develop a high regard for the sanctity of contracts.

It is our responsibility in the Bank to see that the proceeds of our loans are used efficiently for the specified purposes for which the funds are borrowed. We shall therefore take the necessary steps to supervise the expenditure of the funds to insure that they go for the agreed purposes.

We fully recognized the importance of having proper engineering and other technical skills employed in the projects for which the Bank makes its loans. Therefore, we shall take care that, both in the preparation of projects and in their execution, there is full utilization of modern "know how." We trust that emphasis on this point will assist in making the dollars we lend fully productive.

It is obvious that our interest in our loans will not cease when the money has been spent. We have no intention of attempting to set the Bank up as an economic czar, but we do intend to throw reasonable protection about our loans and to follow closely all developments which affect the economic and financial progress of our borrowers. We shall set up in the agreements which we make provisions that the borrower shall not give preferences to any of its other creditors to the detriment of our loans. Furthermore, we shall expect to maintain close relations between the Bank and the borrowers, based on confidence and a spirit of mutual cooperation. We believe that the relations between us must be broader and closer than the ordinary relations between a creditor and a debtor. Therefore, we shall expect full exchange of information and opportunity to consult and advise with each other with regard to all matters of mutual interest.

I have attempted to outline above the attitude of the management of the Bank. We believe that it will enable the institution to meet in a substantial way the needs which it was set up to serve, yet always bearing in mind that we shall be lending primarily private funds which we have an obligation to protect.

We shall attempt to make sound loans which will pay out. It is our hope and belief that we shall not need to call on the guarantees of the member governments—but they are there as an insurance policy which in any event should protect from loss the investors in the bonds of the Bank.

U. S. Experience With Foreign Loans

In justification of this statement I wish to refer to a study which has just been completed by the Bank covering the record of United States investors' experience with foreign dollar bonds following 1920. Such loans include bonds of non-member countries like Germany, as well as municipal or corporate bonds which were not guaranteed by their governments and thus would not have been within the eligibility requirements of the Bank. We have thrown them all in, in order to take the worst possible picture. For good measure we have added the Russian and Mexican bonds which were in default prior to 1920.

It is not necessary to emphasize the unfortunate character of much of this lending—the lack of careful analysis of many loan applications; the diversion of some of the funds to non-productive use; the high rates of interest which increased the burden on the borrowers. Assuming all of these conditions and supposing all of the loans had been guaranteed by the International Bank as it is now constituted, how would the investors in these foreign bonds have fared?

On all outstanding bonds in default the Bank could have paid the holders at the rate of 6% interest and 4% annual amortization. Up to the beginning of World War II only about 15% of the total capital funds of the Bank or slightly over one-third of the United States subscription alone would have been required to carry this service. If the Bank would have chosen then to call the remaining $1.6 billions of unamortized defaulted bonds, only about 36% of the total capital funds of the Bank would have been required, or 90% of the United States subscription. If, on the other hand, the Bank would have continued to service all defaults, including the new defaults of enemy countries, at 6% interest and 4% amortization through the five years covering the war period, the investors would still have been protected. The Bank could have carried the service on all of these defaulted loans and paid off the balance outstanding in 1945 by using only 40% of the total subscribed capital. The subscription of the United States alone would have been sufficient to have done the job.

I repeat, we shall attempt to make sound loans which will pay out, and in addition, the bonds of the Bank will be protected by an insurance policy of tremendous strength.

* * *

French Loan Pending

Following the foregoing address, Mr. Garner held a brief press conference in which he stated that he hoped many loan applications made to the World Bank would be handled by private United States capital. He also revealed that the Bank had under consideration a French loan, adding: "We are hopeful we can get them started on the basis of about $250 million and go on from there."

[Concerning reports that the World Bank conclusion of a loan agreement with France is imminent, the Washington correspondent of the "Chronicle" reports that the office of the French financial attache in Washington states that the World Bank expresses hopefulness of completing the French loan contract in the very near future. However, it is stated that some final points still remain to be worked out.]

Referring to the political and economic instability in Europe, Mr. Garner stated that "to the extent you can get people to work to offset Communism," conditions would improve and western Europe could be helped if Polish coal could be moved there. He stated that the Russians are getting only a small part of Polish coal.

The National Debt and Savings Banks

(Continued from page 7)

best available quality. In administering the debt the Treasury is responsible not only for protecting the institutional interests of the government as a debtor but for the economic welfare of the entire nation. This is so because of the great size of the debt and its distribution in every financial storehouse great and small.

Let us for clearer perspective briefly review some of the facts. The President, speaking a week or so ago, stressed the importance of debt reduction and called attention to the fact that divided among all the people each person's share of national debt responsibility is $2,000 — man, woman and child. As a family responsibility it amounts to about $7,000 for each family. Expressed in terms of national income it represents about 3.3 times the national income of the year 1940 and 1.6 times the income of 1946. Contrasted with earlier debt expansion, the debt experienced a stupendous bulge in World War II.

At the end of the civil war, in 1865, the debt, then considered very large indeed, amounted to only 50% of the then national income. In 1919, after World War I, outstanding government bonds and other funded obligations represented 41% of the national income.

Looking back at the per capita figures our present individual share of $2,000 is about eight times the per capita unit of 1919, and 25 times what it was in 1865.

If these figures tend to discourage us, we may be cheered as we look at the historic government bond interest curve. Six per cent was the average charge in 1865, over 4% in 1920, and now about 2%.

Government Borrowing Inflationary

We know that the unprecedented wartime spending of $385 billion consisting of borrowed funds to the extent of 60% was inflationary in result, particularly to the extent that approximately $90 billion was borrowed from the banks. The volume of spending in the war was unprecedented but the effect on the economy, while of great importance, was necessarily of secondary consideration. The war had to be fought and won. Attempts to control consumption and to restrain price rises had to be and were improvised. The results were not by any means ideally perfect but they were by and large successful. As shown by the Department of Labor's Wholesale Price Index, price rises from 1939 to 1947 were 94% compared with a rise of 131% from 1914 to 1920. Inevitably prices rose and though our production is now at new high levels we are not yet out of the upward trend. The hoped-for expanded production, except in a few areas, has not yet caught up with the demand. The situation is causing national concern and has led the President to appeal for voluntary price reductions. Meanwhile, wages are being adjusted upwards. If prices are successfully reduced it will be because American industry demonstrates again its ability to achieve increased efficiency despite many obstacles. This is increasingly prophesied for the next decade in a remarkably interesting study of the Twentieth Century Fund just published.

Check Living Costs

Certainly it is of the greatest importance to our depositors and to those of similar economic position that the increase in living costs be checked. It is equally important that costs of producing capital goods, particularly housing and other forms of building construction come down. Unless this is done the hopes for better living standards of countless thousands wil be frustrated. The new technological facilities, particularly in America, belie the need for such frustration.

The debt and the vast spending it represents have vitally affected all banking, especially savings banking. War-caused spending was the principal source of the increase in savings bank deposits. These increases have been invested in governments bonds. The growth of deposits in mutual savings banks from 1941 until 1946 was 6.3 billion or 60%. Our government bond holdings increased $7.8 billion or 200% and now constitute more than 63% of our assets.

This body of investments has taken the place of importance in our banks' portfolios formerly occupied by mortgages on improved real estate. It represents our chief investment concern and will continue to be the principal field of our activity in portfolio management for many years to come. There are some who may expect to divest themselves of a large part of their government holdings as opportunities for other forms of investment develop, as we hope they may. But all of us cannot be sellers and expect to continue to see our portfolios at satisfactory levels. As a matter of fact, there is no present prospect that we shall wish to do so without regard to the general economy any more than we were indifferent to the nation's need when we entered our loan subscriptions during the war. The savings banks and life insurance companies are the best depositories for the national debt, because such holdings have the greatest stability and are maintained by a constant replenishment of funds demanding investment at reasonable yields.

Government Interest Rate Effects All Investments

As long as it remains necessary to manage the debt in the interest of financial stability, the likelihood exists that rates on alternative forms of investment will be affected. This is an inevitable but not a desirable result. For every opportunity to invest with reasonable security at a somewhat higher rate than governments afford, there will be much cmpetition which, in turn, will produce the result which we now witness in the narrow spread between the yields on long government bonds and even longer top-grade corporates.

Two Escapes

Out of this fiscal dilemma there will be no escape, and escape we must or savings will wither, unless one of two things occurs. Either there must be so vast an expansion in national wealth, as some predict who forecast the results of harnessing atomic power to our industrial plants existing and to be created, or the debt must be reduced.

Heretofore, we have reduced our debt as our national wealth increased. Happily this seems to be the course on which we are again embarked. Not only investors but those who suffer from the high cost of living and few escape, owe gratitude to the statesmanship of the Treasury officials who have reduced the debt, first out of the proceeds of the unspent Victory loan now and out of excess revenues. These first steps have been directed towards cutting down the short term debt held by the banks and Federal Reserve. The influence of such action on the inflated credit structure is astringent and, therefore, at present wholesome. As important for brightening our outlook, perhaps, is the example of debt reduction which has been established. Frozen rates on Treasury bills and certificates under the continuing war arrangement of par purchase by the Reserve banks give too much freedom in expanding credit. To meet this situation the President of the Federal Reserve Bank of New York proposes that in due course the Treasury "defrost", as he expresses it, the bill and certificate rates leaving it to be Reserve banks to regulate the market for those securities if and when it deems such regulation necessary. In other words, he suggests that the Reserve system be restored to the position in credit regulation which it abandoned to the Treasury as a part of the war's necessities. This action, if taken, promises to be important to the savings banks because it is expected by those who advocate it to restrain the commercial banks from expanding their investments in eligible long bonds and thus allow the long-term investors such as savings banks to obtain a somewhat better yield.

Once we entertained the thought that as a means of encouraging savings both in the form of time deposits, savings bank acounts, and life insurance policies, the Treasury would issue a long bond available, without opportunity for roll-over profits, for savings investment. But there is no evidence of any such intention and only an occasional rumor to keep our expectations alive. Eventually it should be done. When it will happen will depend on the Treasury's judgement of its market and of the wisdom of keeping $65 billion of the debt in short-term credits. Certainly to the extent that is practicable, the Treasury should combine consideration of national fiscal benefits with its responsibility as tax collector and interest payer in devising its policies. It is of the highest importance that we continue to encourage thrift for individual security and for mobilizing outside the government, capital funds for constructive investment. The item of increased interest costs is important but there are offsetting advantages of stability and absorption of spending power which the Treasury of course recognizes as shown in the continued vigor and success of its savings bond campaigns.

Management of Debt Crucial

For generations to come financial students and managers of financial institutions, as well as government authorities and statesmen, will have to give much thought and attention to the maangement of the national debt. The Treasury and the Federal Reserve System and the Congress will have to have a clear and courageous policy with respect to their financial responsibility for the whole world is inevitably affected by the manner in which we manage our debt.

Some years ago when railroad investments seemed to occupy the first place in our concern, your railroad committee, at my suggestion, was equipped with a competent expert counsellor to help it in its work. We were not able to rectify all the weaknesses of that field of investment but we were ready when the time came to render constructive assistance in the reorganization of a number of bankrupt railroad corporations and in other matters of policy and regulation.

If you continue the committee on governments I hope that you will deem it of importance to supply it with equally competent technical assistance in the field of the government debt and its management on the one hand and in respect to broad problems inevitably affecting the management of institutional government bond portfolios on the other hand. I hope I am not suggesting anything that has to do with Interstate Commerce. But it clearly has to do with the welfare of the savings banks, their depositors, and with the broader economic welfare of the country. We have formed an alliance with Uncle Sam. We cannot regard the alliance merely as one that may ease our burdens of investment responsibility, assure us of maintaining our portfolios at par to the delight of bank examiners and the satisfaction of all others concerned. We may well be able to make a constructive contribution to the clear thought and sound financial and economic philosophy for handling this vast new problem at least through the earlier years of necessary experimentation. We have many aids already available to us. The Committee on Public Debt Policy, of which one of our most distinguished past Presidents is a member, as is also your present Vice-President, is already issuing enlightening studies of the subject which no doubt all of us are reading with interest. Our Savings Banks Trust Company in New York is in intimate touch wilh all aspects of this problem from the standpoint of the institutional investor. We have many expert bond men on our bank staffs who should be called upon to assist. But principally we need a top ranking financial economist as good in his field as we immediately found our railroad committee counsel to be when we retained him 16 years ago, and who we might expect to develop in stature as we have been delighted to see that gentleman develop.

Savings Banks Own 5% of Debt

The mutual savings banks of America own 5% of the national debt. That important fact warrants us in equipping ourselves to play a leading part among those who are brought into the councils of the Treasury department in respect of national debt problems, and in a vigorous campaign of public education in reaping from the thoughts, discussions, research and action arising from the existence of a quarter trillion debt, every possible good in security, confidence and well-being for our depositors.

I close with a brief catalogue of questions for which we should seek answers in sound policy and action for today and for the years ahead until the happy day arrives when the debt burden can be taken in the stride of a forward marching national economy:

(1) Can the government prevent its long-term bonds from going much below par?

(2) Will the government use these powers under all conditions?

(3) What would be the effect of Higher Short-Term Interest Rates?

(4) Are short-term interest rates too low in relation to long-term rates?

(5) Should not the Federal Reserve authorities regain some measure of control over the money market, which they lost when they undertook to buy all Treasury bills offered them at ⅜ of 1%, and all certificates of indebtedness at ⅞ of 1%.

(6) Would one of the effects of the higher short-term rates be to increase the supply of longer term investments?

(7) Would the balancing of the budget cause the Treasury to refrain from issuing any further long-term bonds?

(8) Are savings banks opposed to market restrictions on long-term issues?

(9) Are savings banks clear on the form of a long-range Fiscal Policy. Could they subscribe to some such credo as the following?

(a) Gradual retirement of public debt is desirable to reduce the burden of fixed interest and permit credit policy to be formulated in the light of current economic needs of the nation, rather than chiefly to facilitate Treasury financing.

(b) Tax reduction is desirable to provide added incentive in our economic system, and to increase take-home pay, to reduce prices which will lessen ill-timed pressure for wage and salary increases which, in turn, encourage price rises, and to give stimulas to business as the nation shifts from a seller's market to a buyer's market.

(c) Economic statesmanship calls for a balanced program of debt and tax reduction. This is possible through (1) Elimination of less essential government expenditures and (2) Greater efficiency in the use of the taxpayer's dollar.

(d) The Treasury is to be commended for its practice of consultation with the nation's principal financial institutions in arriving at a debt policy, and it is the duty of the savings banks to do their full part by study, research and discussion to equip themselves to render the greatest possible aid to the Treasury in developing a program of sound debt management.

Bryce Nominated to Head NY Bond Club

T. Jerrold Bryce, of Clark, Dodge & Co., has been nominated for president of the Bond Club of New York for the coming year, to succeed James Coggeshall, Jr. of The First Boston Corporation. The election will be held at the annual meeting of the Club, on June 6, at the Sleepy Hollow Country Club, Scarborough, N. Y.

T. Jerrold Bryce

Alfred Shriver, of Morgan Stanley & Co., has been nominated for vice-president to succeed Mr. Bryce, who has occupied that position during the past year.

Thomas T. Coxon of Hallgarten & Co. has been nominated for secretary. Benjamin D. Williams, Jr., of W. E. Hutton & Co. has been nominated for treasurer.

Nominations for members of the Board of Governors to serve three years are Clarence W. Bartow of Drexel & Co.; Raymond D. Stitzer of Equitable Securities Corporation and G. H. Walker, Jr., of G. H. Walker & Co.

George J. Leness of Merrill Lynch, Pierce, Fenner & Beane has been nominated to the Board of Governors to serve the unexpired term of Alfred Shriver.

Continuing Governors will be Wright Duryea of Glore, Forgan & Co.; Frederick L. Moore of Kidder, Peabody & Co.; Robert E. Broome of Guaranty Trust Co.; F. Kenneth Stephenson of Goldman, Sachs & Co., and Joseph A. Thomas of Lehman Brothers.

The Nominating Committee consisted of Charles L. Morse, Jr., Hemphill, Noyes & Co., Chairman; Wright Duryea, Glore, Forgan & Co.; Leverett F. Hooper, First National Bank of New York; Ranald H. Macdonald, Dominick & Dominick, and Walter H. Steel, Lazard Freres & Co.

Prospective Tax Changes of Interest to Banks

(Continued from page 3)

and any discussion of them may be helpful in bringing about needed changes.

Perhaps the most hopeful sign and the one of greatest ultimate importance to banks who are so vitally interested in a healthy economy is the general public pressure for an economic budget and a program for a sound fiscal policy. It is to be expected that there will be general disappointment with the ultimate results attained, particularly if world events bring about the maintenance of large military establishments and the granting of substantial fiscal aid to financially embarrassed democracies throughout the world. However this may be, it is encouraging to know that the popular will is now directed with dynamic force against the long-continued practice of governmental deficits.

Corporate Tax Reform Needed

The many studies that have been made by various organizations of the general scheme of corporate taxation have educated the public and the legislators to an appreciation of the tax penalties now imposed on doing business in corporate form. Of course, the fiscal needs of the government will have a powerful effect on limiting the relief obtained, but it is hoped that a program such as that suggested by The Committee on Post War Tax Policy will receive sympathetic consideration. As you know, it involves a number of proposals of considerable importance.

Despite the reductions in rates that have been made, the corporate rates now imposed result in a tax more than double the highest corporate rate prior to 1940 (16½%). Some revision downward seems to be called for. The ultimate but not immediate goal is said to be a rate identical with the first bracket rate of the individual taxpayer.

A standard rate, rather than the graduated rate now in effect, is recommended. Since the stockholders ultimately pay the corporate taxes and there is no relationship between the size of corporations and the average tax rate of all of their stockholders, the graduated rate does not seem justified on the ability to pay principal. Likewise, the imposition of a tax of 53% on the net income of corporations between $25,000 and $50,000 brings about undesirable results in the cases of corporations who find a large proportion of their earnings subject to this tax.

The double taxation of intercorporate dividends is unjustified and should be eliminated. The present effective rate, as you are fully aware, is now 38% of 15%, or 5.7%. This is but another phase of the larger program to eliminate duplicate taxes on the same income.

Elimination of Double Taxation

Of lesser importance to banks is the recommendation that the 2% penalty for filing consolidated returns be eliminated.

The public press and the radio have been the forum for the discussion of the several proposals to eliminate the double taxation of corporate earnings. The plans suggested have ranged from the utterly impractical plan of taxing corporations as partnerships through allowing a corporation a deduction for dividends paid to the British plan and modifications thereof of giving the stockholder a credit against his tax on account of the taxes paid by the corporation. This is perhaps not the place and certainly there is not time for a detailed discussion of these proposals. Adequate material is available for any who want to pursue the subject further. Suffice it to say, that a satisfactory solution of the problem may be some time deferred.

But there are matters with which you and I are concerned that go beyond the mere adjustment of corporate taxes. To take a few examples:

Section 102

The recent change in the corporate tax form requiring an explanation of the reason for not distributing at least 70% of earnings has caused much discussion by and considerable anxiety to the management of banks as well as of all corporations. Repeated assurances from the taxing authorities that the penalty tax imposed by Section 102 of the Code will not be asserted against corporations accumulating earnings for the reasonable needs of the business, have not completely allayed the fears. The very ambiguity of the term "reasonable needs of the business" leaves corporations facing an uncertainty that should be minimized to the greatest extent possible without opening the door to inexcusable tax avoidance. To state the object is easier than to propose a remedy. Efforts were unavailing to obtain a public announcement from the Treasury Department that it would not be the policy to assert the penalty tax against banks. The Treasury's position was understandable, if regretable from our standpoint. Banks are not exempted from the operation of the Section, and such a statement of policy, if hedged to meet all possibilities, would probably have been of little value. It seems reasonable to assume, however, that banks have little to fear. The memory of the bank holiday and the trying period that banks went through during the depression has not faded. The particular obligation of banks to the public whose funds they solicit to maintain a sound financial position and the responsibility on public officials in this connection go far to diverting the finger of suspicion from such institutions. The stock of many of the larger banks is widely held and it would be extremely difficult to impute to the directors a purpose to accumulate earnings to avoid the surtax on the stockholders. The position of the smaller bank whose stock is closely held is more vulnerable, but I venture the prophecy that even such institutions will be questioned only in the most flagrant cases. Perhaps a general statement is all that is required for the question in the return where the stock is widely held. In the case of the bank whose stock is closely held, it may be wise to consider a more detailed answer to the question.

One of the suggestions that has been made to Congress is to amend the statute to shift the burden of proof to the Commissioner on the issue of unreasonable accumulation of earnings where the stock of the corporation is publicly held. This would not help the smaller corporations, but perhaps when the start is made, some formula may emerge which will permit the accumulation of some percentage of earnings without question. Certainly, small business should be relieved of some of the guesswork it must now do at its peril. If the backbone of American economic life is the small corporation, it is in the public interest to see that reserves are built up in good times to insure an ability to meet depressions as well as to provide for expansion. It is not a complete answer for the taxing authorities to say that the statute permits this procedure and that no legitimate accumulations will be penalized. The sword of Damocles that is suspended over the owners of these enterprises is the hazard that any action taken today may look quite different when the reasons are weighed in the light of experience some two or three years later.

Section 5219 of the U. S. Revised Statutes

An effort will be made to bring about the amendment of Section 5219 of the Revised Statutes limiting the power of a State to tax national banks so as to accomplish the two-fold purpose of making it clearer that such banks may be taxed only as provided in the Section and that income and excise taxes must be uniform throughout the State. These amendments are of great importance to banks because of the growing tendency to subject them to new taxes not contemplated by the Section, and of the increasing practice of delegating to subdivisions of a State the power to impose income and excise taxes. Under Section 4 of Article XVI of the New York State Constitution, discrimination in taxation between Federal and State institutions is now prohibited.

You will recall that many of you were delighted in 1943 when the Commissioner of Internal Revenue issued I.T. 3600. It was, as you will remember, to the effect that the gains or losses on the sale of property acquired by a bank on foreclosure of a loan was "property held "primarily for sale to customers in the ordinary course of . . . trade or business" within the meaning of Section 117(a)1 of the Internal Revenue Code, as amended, and consequently that the gains or losses resulting from the sale of such property were ordinary gains or losses and not capital gains or losses. To some who had profits, however, the ruling was not received with much enthusiasm. They were soon saved from their concern, however, by the Tax Court decision in 1944 in the Kanawha River Bank case, 4 T. C. 252. The Commissioner acquiesced in this decision in 1946. It is now generally recognized that the I. T. was wrong and the result reached in the Kanawha River Bank case was right under the law. Nevertheless, there has been some talk of trying to write the substance of the ruling into the Code. I doubt the advisability of such a course. Foreclosures usually occur in periods of depression, and if the mortgaged or pledged property is bought in, as it should be at its then depressed value, there is great likelihood of future profit. So long as the tax rates remain where they are, there is substantial benefit in being able to avail of the capital gains rate.

There is also the additional suggestion that no profit or loss on the loan be taken into account until the acquired collateral is sold. However, the disadvantage of postponing the bad debt write-off would probably prevent obtaining general agreement to support such a proposal.

War Losses and Treaties

The war loss provisions of the Code (Sec. 127) are being studied with the possibility of alleviating some of the hardship of paying taxes on recoveries in excess of the tax benefit of deductions.

The trend in tax treaties is more and more toward burdensome requirements for reporting information valuable to the contracting parties in preventing tax evasion. The embarrassments the banks may encounter are not yet fully recognized.

Bad Debts

It seems to me that no discussion of the tax problems of banks should ignore bad debt deductions. Sad as it is to relate, even the best-managed banks have had experience with unpaid loans. Often these come in volume in bad times and result in little, if any, tax benefit. While the Code has gone far to provide for fair treatment of these deductions, the problem has not been completely solved. There is general satisfaction, I take it, with Section 23(k) of the Code, which permits a deduction for debts which become worthless in whole or in part within the taxable year or (in the discretion of the Commissioner) a reasonable addition to a reserve for bad debts, with Section 22(b) (12 which permits the tax-free recovery of debts charged off in a loss year and with Section 122(b) permitting the carry-back and carry-forward of net operating losses.

Recent high taxes, however, have brought into focus some of the advantages of the reserve method. I have wondered if the banks have availed themselves of the full possibilities of this privilege. Certainly the additions to the reserve would have the effect of taking the losses largely in profit years and might well result on a long-term tax benefit. The difficulties of determining the reasonableness of the reserve additions present very practical problems, but it might be that they could be discussed with profit with the taxing officials looking toward the adoption of a workable formula.

Capital Gains on Investments

Many of you who have bond departments may have been disturbed by I. T. 3828 issued in December of last year to the effect that a dealer in securities is not entitled to the benefit of the capital gains provisions of the law on the sale of investment securiites if such securities are "of a type ordinarily sold to the dealer's customers." There seems to be no justification in the Statute for denying to a dealer the tax benefits from a true investment in securities of the same character as those he may acquire for resale to customers. Obviously, the proof of the investment character of the purchase should be subject to the severest scrutiny, but where the fact of investment is established, the capital gains rates should apply. Efforts are being made, with substantial indications of success, to obtain an appropriate revision of the ruling.

Pension Trust Amendments

Many banks have pension plans which have been set up to comply with the provisions of Section 165 of the Code. Generally speaking, the statutory changes made by the 1942 Act are advantageous and fair to bank employees, but room for improvement exists. Various organized groups are now working to bring about certain statutory changes, and the suggestions are receiving the serious consideration of the policy-making bodies in Washington.

Many plans provide for employee contributions, which are deducted, as a matter of practice, from the employees' compensation. Under existing interpretations, these contributions are taxable to the employee as current salary, although he does not receive the income they produce until after retirement. The proposal is to exempt these contributions from tax to the employee, as in the case of the employer's contributions, until the receipt by the employee of benefits under the plan.

Now contributions by the employer which are determined to be the cost of death benefits under a plan are taxed to the employee in the year the contributions are made by the employer. It is urged that these contributions, perhaps limited to avoid tax evasion, be deferred until the receipt of the benefits by the employee or his beneficiary. The loss to the revenue would be small, the nuisance and cost of making the detailed computations for many employees would be avoided, and the principal of taxing at the time of actual receipt of monies would be consistently followed.

All distributions under approved plans to an employee's beneficiaries, except insurance benefits, are now subject to income tax to the beneficiaries. The computed value of these benefits at the date of death of the employee are also subject to the estate tax as a gift to take effect at death. An effort is being made to exempt these payments from the estate tax.

Many plans also provide that the employee may elect to take a lesser pension with a life annuity to his surviving spouse. If the beneficiary is irrevocably designated, as is often required, the employee has been held subject to a gift tax on the computed value of the survivorship annuity at the time the designation becomes irrevocable. As the gift is of a future interest, no exclusion is allowed. It is proposed that these designations be exempted from the gift tax. It is thought that the fact that the wife may never receive any benefits justifies asking for this treatment.

Conclusion

The foregoing isn't intended as a complete preview of all of the prospective changes in the Revenue laws of interest to banks. It necessarily is no more than a brief review of some of the proposals that have come to my attention and enlisted my interest over the last several months.

Hargrave Nominated as Chairman of Board of Chicago Stock Exch.

CHICAGO, ILL.—T. Clifford Rodman, Chairman of the Nominating Committee of The Chicago Stock Exchange today announced the nomination of nine new Governors to replace those whose terms expire in June.

Homer P. Hargrave, resident partner of Merrill Lynch, Pierce, Fenner & Beane, has been nominated to serve as Chairman of the Board for the ensuing year.

Other Governors nominated to serve for a three-year period are as follows:

John W. Billings, Floor member; Walter J. Buhler, Floor member; Ralph W. Davis, Paul H. Davis & Co.; Norman Freehling, Norman Freehling & Co.; Hulburd Johnston, Hulburd, Warren & Chandler; James J. McNulty, Ames, Emerich & Co., Inc.; Charles R. Perrigo, Hornblower & Weeks and Robert F. Schenck, Floor member.

Those nominated for the 1948 Nominating Committee are:

Arthur M. Betts, Betts, Borland & Co.; Clyde Bidgood, Floor member; Julien H. Collins, Julien Collins & Co.; Robert J. Fischer, Fahnestock & Co., and A. I. Jablonski, Floor member.

The annual election of members of the Board of Governors will be held on Monday, June 2, 1947. Ordinarily the selection of the Nominating Committee is tantamount to election.

First Securities Corp. Opens Winston-Salem Office

WINSTON-SALEM, N. C.—James E. Holmes, Jr., is representing First Securities Corporation of Durham.

Dreyfus, Jacquin Admit

Dreyfus, Jacquin & Co., 61 Broadway, New York City, members of the New York Stock Exchange, will admit Samuel Strasbourger, Jr., to partnership in the firm on May 15.

Past Record Makes Education Prerequisite for Foreign Loans

(Continued from page 4)

way. Chechoslovakia resumed payments recently, calling upon bondholders to make fairly important, although not drastic concessions. It is curious that throughout the War and occupation by the German Army, when American holders of Czechoslovakia bonds received no payment of any kind, British holders of the English portion of the Czech loans were being paid. Interest on all Danish loans has been and continues to be met in full. However, sinking fund payments have been suspended, and matured bonds have not been redeemed. All of the remaining European loans are in default and the situation is further aggravated by the fact that trading in loans of Axis nations and their satellites has been prohibited.

Under existing circumstances it is difficult to conceive of any successful attempt to market European loans on behalf of nations which have been in complete default with respect to their engagements. What is especially disconcerting is the continued tension and friction in the international sphere which would permit of the granting of loans and credits on political grounds, but certainly not for purposes of "reconstruction and development." With large segments of the people frightened into believing that war is inevitable—the writer does not, incidentally, share this fear—constructive loans cannot be made, nor, indeed, should they be made.

The War Threat

European countries whose fiscal performance has been impeccable could probably secure accommodations in the open market. This applies to Norway which has been borrowing at reasonably advantageous rates, and might possibly apply to Belgium, the Netherlands, and to a limited degree, to France and Denmark. Nevertheless, the independent investor is not likely to develop any enthusiasm over European loans, so long as tension and friction and the threat of war, however remote, continue. How could loans successfully be marketed on behalf of those European countries which are in complete or partial default or which have flagrantly disregarded the rights of American creditors?

In the Far Eastern Division, out of $553,230,720, of bonds, slightly more than 59% is in default. This figure includes Japanese and Chinese obligations. The former had been fully serviced until the outbreak of the War, while China's record has never been satisfactory. In passing, it may perhaps be pointed out that despite the acquisition by China, of vast and rich territories formerly under Japanese sway, no attempt has been made even to assure American creditors that their rights would be protected. The bonds of the Taiwan Electric Company are a case in point: The property of the concern is all on the Island of Formosa which has been given to China, which at present is enjoying the benefits and the profits accruing from such ownership, which, by right, should accrue to Americans who financed the Taiwan properties through the purchase of bonds. Australia's record is without blemish and is being adequately rewarded by the relative ease with which Australia is in a position to borrow in the American market at relatively attractive rates.

The Latin American Record

Of 15 Latin American countries whose bonds are outstanding or held in the American market, four are in complete default, including Bolivia, Costa Rica, Ecuador and Peru, accounting for more than 15½% of the total. To this should be added the defaulted debt of most of the political subdivisions of Colombia, which brings the total up to 22.90%. The Argentine Government debt has been retired and the bonds of Buenos Aires are being serviced in accordance with an Agreement reached after the Province was either unable or unwilling to service the debt according to the provisions of the original contracts. Brazilian bonds are now being serviced in accordance with an agreement which called for very drastic reductions in principal and interest. Holders of Chilean bonds are receiving only a fraction of the contractual rate, the latest payment varying from 21.63-25.23% of the originally stipulated amount. The bulk of Cuba's debt, comprising the so-called Public Works Loan, is receiving interest at 4½% against an original 5½%, while the maturity was extended from 1945 to 1977. Santo Domingo has been either unable or unwilling to repay loans which matured in 1940 and 1942; holders, however, are receiving interest in full. The Salvadorean default has recently been adjusted on terms which called for important concessions by the bondholders. The Mexican settlement called for a most drastic reduction in the principal, the virtual cancellation of all arrearages, and a sharp cut in the rate of interest. However, bonds guaranteed by the Mexican Government continue in default. Panama and Uruguay have been meeting their engagements promptly in accordance with a settlement submitted to bondholders. Those who refused to accept the terms on the grounds that the concessions were too marked, have no recourse and are receiving no payment whatever. The same applies to all other debts which have been subject to adjustment.

The accompanying tables present information concerning the status of foreign bonds outstanding in the American market.

With only about 18%, or less than one-fifth of all foreign bonds outstanding in the American market receiving at present interest and/or amortization payments according to the terms of original loan agreements, it is difficult to see how investors could be prevailed upon to become enthusiastic over fresh foreign lending on a large scale, especially if nothing or little is done to eliminate or reduce to a minimum the existing friction between the so-called Eastern bloc and the Western nations.

	Amount Outstanding	State of Debt
Europe—		
Austria	$31,390,300	In Default
Belgium	25,876,800	Fully Serviced
Bulgaria	16,634,500	In Default
Czechoslovakia	3,281,100	Adjusted
Denmark	145,381,500	Interest Paid
Estonia	3,271,000	In Default
Finland	8,794,000	Fully Serviced
France	11,450,000	Fully Serviced
Germany	501,208,030	In Default
Greece	26,942,500	In Default
Hungary	42,042,350	In Default
Irish Free State	609,500	Fully Serviced
Italy	121,521,400	In Default
Norway	95,313,000	Fully Serviced
Poland	47,838,420	In Default
Russia	75,000,000	Repudiated
Rumania	62,895,600	In Default
Yugoslavia	32,791,100	In Default
Total	$1,252,241,100	
Australasia—		
Australia	$226,715,000	Fully Serviced
China	11,097,280	In Default
Japan	315,418,440	In Default
Total	$553,230,720	
Latin America—		
Argentina	$49,019,100	Adjusted
Bolivia	59,500,000	In Default
Brazil	206,963,000	Adjusted
Chili	150,400,000	Adjusted
Colombia	136,100,000	Partially Adjusted
Costa Rica	8,100,000	In Default
Cuba	82,321,800	Adjusted
Dominican Republic	11,098,000	Fully Serviced
Ecuador	1,560,000	In Default
El Salvador	7,283,900	Adjusted
Haiti	6,154,000	Fully Serviced
Mexico	*192,479,500	Adjusted
Panama	14,547,000	Adjusted
Peru	86,480,500	In Default
Uruguay	46,498,500	Adjusted
Total	$1,058,445,300	

*Exclusive of Government guaranteed railroad issues.

RECAPITULATION

		In Default	In % of Total
Europe	$1,252,241,000	$961,535,000	76.92
Australasia	553,230,720	326,515,720	59.05
Latin America	1,058,445,300	229,080,000	22.90
	$2,863,917,020	$1,517,130,720	52.97

Washington and You

(Continued from page 5)

That wasn't a convincing performance.

* * *

House Commerce Committee members are wondering what dodge FPC will employ when the committee this month or in early June orders hearings on bills denying the Commission jurisdiction over manufacturers generating electricity for their own use and walling the Commission off from local utility operations.

* * *

Trade circles here are warning the Government to be prepared for a damaging shortage of natural gas in the East this coming winter.

* * *

Next time SEC gets tough about accuracy, remind them of a bill now going through Congress correcting two SEC accounting boners of kindergarten variety. In 1945 SEC overspent its free mail allowance by $2,225, didn't discover the error until a few months ago. Apologized SEC Budget and Fiscal Officer James Riordan to Congressional investigators . . . "We were a bit dilatory on that." Riordan also confessed SEC had exceeded its printing budget by $2,065.51 in 1944, acknowledged the bill couldn't now be legally paid, asked Congress to legalize it.

* * *

Congress shortly will vote increased appropriations for national forest access roads as a gesture to minimize the timber deficit.

* * *

Tobey Bill authorizing Federal Reserve Banks to guarantee loans up to 90% may survive the Senate but will mire down in the House Banking Committee. It has been reported favorably by the Senate Banking Committee, has been introduced into the House. Spawned by the Federal Reserve Board, paramount objective of the bill is to emasculate RFC.

* * *

Continuation of the Reconstruction Finance Corporation in some form after next June 30 is now certain, will shortly receive legislative attention.

* * *

Closed House Appropriations hearings have undraped interesting information on RFC performance. Agency accountants testified that to June 30 RFC had (1) realized profits of $500,000,000 on its lending operations, and (2) lost $5 billion on its war phases. Some disposition of this $5 billion deficit must be made, possibly can be accomplished by juggling of RFC stock.

* * *

Washington is concerned by rumors that banks are to unload on RFC a heap of GI insured mortgages by June 30 because they don't know what the status of RFC is to be after that date and are unwilling to be caught with an overload of such paper. RFC has agreed to buy all such mortgages from banks, is now buying at the rate of $750,000 every work day. It's said insurance companies and banks are unwilling to absorb any more of the GI investments into their portfolios on a long-term basis.

* * *

And now comes a new twist in aerial bureaucratics. War Assets Administration has been selling surplus barrage balloons for $95 each, has 4,369 left. But because the Civil Aeronautics Administration says the sausages are an aviation hazard, the remaining bags worth about a half-million dollars are to be scrapped.

* * *

Machine tool makers have been handed an ultimatum by WAA Administrator Littlejohn that sometime in 1948 they must lease or buy surplus tools in possession of WAA. Littlejohn is trying to stave off a Congressional demand that all surplus goods be sold not later than next July 1. He has informed the lawmakers (1) that WAA still holds about 600,000 machine tools; (2) that hasty marketing would bankrupt many companies and might hurt the entire industry, and (3) that manufacturers must either lease or buy remaining tools next year because the Government won't longer warehouse them.

* * *

Existing law directs WAA to dispose of surplus goods without economic dislocation. That's been used as an excuse for delay. Now legislation has been drafted, may be pressed, directing WAA to speed sales by public auction.

* * *

"I would not know." Thus answered WAA Boss Littlejohn when asked why the Government is on one hand selling surplus typewriters and on the other trying to buy new machines from manufacturers.

* * *

Somebody is going to get burned if Farm Credit Administration Governor Duggan turns out to be a prophet. He's predicting the farm land price crash of 1920 is to be repeated. The farm price index mounted to 170 in 1920, thereafter skidded rather rapidly to 127 in 1925. The index now stands at 159 and in the next two or three years will duplicate the 1920 dive, Governor Duggan suspects.

* * *

Don't expect any long range housing to get Congressional OK this session. Senate and House Republicans haven't and won't agree on solving this controversy. Best the housing bloc now hopes for prior to July adjournment is Senate passage of the WET bill and reference to the House Banking Committee. They figure that during the summer recess they can stir up enough support among home folks to have the bill reported favorably by the House committee next session.

* * *

The House-approved Wolcott Bill continuing rent controls and junking restrictions on commercial and industrial construction can't survive Senate opposition. The Senate will substitute its own rent bill and relay the fight to conference committees. Conferees will be expected to fashion a compromise agreeable to both Senate and House.

* * *

Reed-Bulwinkle Bill, immunizing railroads from anti-trust prosecutions for fixing rates in conference with the Interstate Commerce Commission, has been given the Senate green light, will shortly pass through that body. Talk is heard of a Presidential veto.

* * *

The legislative cards are still stacked against an American flagship line to control overseas air operations. The House Commerce Committee continues to hold protracted hearings on this proposed monopoly and Senate Commerce Committee has scheduled hearings May 19. All the talk will end in a deadlock.

* * *

Congress is giving the Justice Department $250,000 to finance reparation claims against railroads, but some legislators frankly fear the impact on American economy. Justice lawyers estimate $2 billion may be recovered from the rails for alleged overcharges during and before the war. Says House Appropriations Chairman Taber of this witch hunt . . . "It might result very disastrously for the Government, for the whole economic picture of the country."

* * *

Justice Department already has nine lawyers, seven transportation analysts, 24 rate clerks and 13 stenographers mobilizing reparations claims against the rail carriers to be filed with the Interstate Commerce Commission.

Anchor Investment Co.

(Special to THE FINANCIAL CHRONICLE)

ST. JOSEPH, MO.—The Anchor Investment Company is engaging in the securities business from offices at 212½ North Sixth Street. Officers are Fred G. Howitt, President; Harry B. Turpin, Vice-President; William G. Patton, Treasurer, and Hamilton T. Murphy, Secretary.

Warns Business on Pricing

(Continued from page 18)

that consumers as a whole can afford to buy the consumer goods that are produced, but not so low as to discourage production and investment. Wages and salaries must be high enough to enable workers, as consumers, to do their full share in clearing the market, but not so high as to limit employment opportunities. On the basis of such prices and such wages, at high levels of production the economy will yield wholly satisfactory profits, even with modest margins, and thereby insure an adequate and sustained flow of investment.

"The more successfully short-run policies are adapted to these long-run objectives, the more smoothly shall we move through the period of transition. And the sooner shall we reach a stage in which greater reliance can be placed upon the self-adjustment of the market.

"Price developments since last June strongly emphasize the need for increased vigilance on the part of businessmen. In the second half of 1946, consumer prices were carried up as much as they had risen during the preceding four years. Wholesale prices rose more sharply still, while the prices of basic foodstuffs and other raw materials soared. In this rise, consumer prices outran consumer incomes. The purchasing power of the average American is lower today than last summer, although business is producing more and more goods which he is expected to buy. That is why retail sales are lagging and inventories are beginning to cause some worries.

"These price increases, with some significant exceptions, also ran ahead of costs and thus brought a sharp expansion of profits in 1946. This expansion, which was particularly marked in the fourth quarter, has continued through the first quarter of 1947. Despite generally attractive profits and today's low money rates, however, businessmen are not rushing to borrow for investment. This is not surprising. Every informed businessman recognizes that abnormally high earnings such as these—which have brought the average return to levels attained before the war only in 1928 and 1929—cannot last.

"Businessmen are in effect the trustees of the enterprise system. They are its principal operators. Other economic groups share in the operation of the system, and other economic groups must cooperate if readjustment is to be carried through. But it is to the risk-takers of our system that the public logically looks for risk-taking.

"Businessmen are keenly aware that wage increases put pressure on prices. They must be equally aware that unwarranted price increases can make wage increases imperative. They must be aware, too, that price increases which yield excessive profits that cannot be invested and are not paid out in dividends siphon off purchasing power and spell unemployment. On the other hand, any price reduction that contributes to a lowering of living costs lessens the need for wage increases. Stable or declining living costs, by reducing uncertainties on the wage front, open the way for additional price reductions.

"Businessmen as a whole have a deep community of interest in garding against prices that cannot be squared with sustained markets and sustained production—whether the prices be those they charge or those they pay.

"Above all, neither businessmen nor the country can tolerate undercutting the enterprise system through restriction of output as an alternative to the reduction of excessive prices.

"Because of this underlying community of interest in policies that make for full production, business as a whole looks with disfavor on those business elements that are out of step. The welfare of the many can be jeopardized by the few.

"If orderly price reductions do not become more general, business must share the blame for the slump that is then sure to come. The pioneering price reductions that are being made could, however, mark the beginning of an orderly readjustment of prices. If they do, then American business is on the way to demonstrating the economic statesmanship of which it is capable."

Signers of the statement are: Beardsley Ruml (Chairman), Chairman of the Board, R. H. Macy & Co.; P. B. Stull (Vice-Chairman), Vice-President, Hercules Powder Co.; S. C. Allyn, President, National Cash Register Co.; Robert F. Black, President, The White Motor Co.; Harold Boeschonstein, President, Owens-Corning Fiberglas; Eugene Burgess, Vice-President, General Mills, Inc.

S. K. Colby, Vice-President, Aluminum Co. of America; H. L. Derey, New York City; Elmer G. Diefenbach, Chairman, Executive Committee, American Securities Corp.; Guy Emerson, New York City; Robert Heller, President, Robert Heller & Associates; Stanley A. Holme, General Electric Co.; Thomas Roy Jones, President, ATF, Inc.; Robert W. McChesney, President, Harry Alexander, Inc.; Elmo Roper, Marketing, New York City; Harry J. Rudick, Lord, Day and Lord.

H. Christian Sonne, President, Amsinck, Sonne & Co.; Vernon B. Stouffer, President, Stouffer Corp.; Charles J. Symington, Chairman of the Board, Symington-Gould Corp.; J. Carlton Ward, Jr., President, Fairchild Engine & Airplane Corp.; James C. Willson, Director, Curtiss-Wright Corp.; Charles E. Wilson, President, The General Electric Co., and Irwin D. Wolf, Vice-President, Kaufmann Department Stores, Inc.

Westheimer & Co. Adds Three to Staff

CINCINNATI, OHIO — Westheimer and Company, 326 Walnut Street, members of the New York

John G. Hitzler

Wm. T. Berlage

William P. Worth

and Cincinnati Stock Exchanges and other leading Exchanges, have added William T. Berlage, John G. Hitzler and William P. Worth to their staff. All were formerly with H. B. Cohle & Co.

Our Primary Task— A Healthy Economy

(Continued from page 8)

vide help to other peoples of the world to help themselves.

The United States has taken leadership among the major trading nations of the world in an effort to reduce trade barriers and promote multilateral trade. With our vastly expanded productive capacity we need expanded external markets, and other countries vitally need our products. We are making every effort to overcome our historical prejudices against imports and we hope to widen the opportunity for other countries to sell us their products and earn dollars with which they can buy our gods. The present tariff negotiations and discussions which are taking place in Geneva represent a major step in this direction. I feel confident that the Geneva meetings will come to a profitable conclusion, and that substantial agreement will be reached in the tariff negotiations and on the proposals for an International Trade Organization. World economic recovery can only be accomplished through the expansion of multilateral trade.

Restore German and Japanese Economy

As part of our effort to develop world commerce and to restore world productivity, we are aiding in the restoration of the economies of Germany and Japan. We do not propose that either of these countries shall ever again be placed in a position to assault the peace-loving nations of the world. On the other hand, it is perfectly obvious that a functioning German economy is essential to the economic recovery of Western Europe. It is equally obvious that activiation of the Japanese economy is essential to any reasonable level of well-being for people of the Far East. To stimulate the development of peaceful enterprises and production in these countries will relieve a heavy burden on American taxpayers and will remove major blocks which have thus far obstructed the general economic reconstruction of the world.

In addition to the efforts we are making to restore the material productive facilities of the world, we are engaged in a program of disseminating ideas. Through the Office of Information and Cultural Affairs in the Department of State we are carrying on a vitally important program of telling the rest of the world the story of what kind of people we are and what we believe in. In the modern world, with the tremendous advances which have been made in methods of communication, this informational function has become indispensable to the success of our foreign programs.

I am sure that all persons who believe in our free institutions will support the efforts we are making on a wide front to attack the causes and not merely the symptoms of economic and political unrest. If we continue to live by our own principles and prove their effectiveness in terms of the spiritual and material well-being of all people, we will meet fully our responsibilities as the first nation in the world.

Manufacturers Trust Co. Issues Foreign Exchange Quotation Folder

Manufacturers Trust Company has prepared a folder listing recent quotations of 140 foreign currencies of countries ranging from Afghanistan to Yugoslavia.

This folder also contains two useful tables showing the decimal equivalents of (1) common fractions and (2) shillings and pence.

Copies may be obtained from the bank's Foreign Department at 55 Broad Street, New York City.

High Prices Due to Tripled Money Supply

(Continued from page 17)

past month. Excessive prices work their own cure. They stimulate production and curtail consumption, and they are working that way now.

"Non-farm prices are obviously not too high for farmers to pay, but many are too high for the pocketbooks of the average city buyer. Hence many may be too high to equate supply and demand in the period ahead. Therefore they are vulnerable. Non-farm prices may also be too high if they yield producers a greater profit than is necessary to assure needed production, a fair return, and an adequate flow of new capital into the industry for replacement, modernization, and expansion. This test is one which critics of prices of manufactured goods may justly make, and when profits exceed these requirements they endanger stability. They should be, and are likely to be, corrected by price reductions.

"Moreover, it is entirely true that the general interest is served by seeking profits in low margins and high volume rather than in high margins and low volume. The country has applauded the voluntary price cuts of the Ford Motor Co. in January, of the Interna- Harvester Co. in March, and the others since, because everyone instinctively knows that this is the formula for lasting prosperity and progress. Producers of steel, copper, automobiles and other lines have refrained from charging all the market would bear, as shown by the premium prices obtainable when buyers have these things for resale.

"Unfortunately many critics do not approach the profit figures with a standard such as we have defined in mind. Rather they compare the totals with some past period, without considering whether profits were adequate in the period chosen and without allowance for such factors as are pointed out in our discussion of first quarter profits on a subsequent page. They overlook particularly the conditions which may make current profit rates quite temporary. They overlook the increased cost of the plant and machinery needed to replace present plant and machinery as it wears out. They overlook the fairness of an increased return to shareholders commensurate with the rise in the cost of living. Most of them labor under the belief that profits are hoarded or somehow withdrawn from the income stream, though it is perfectly clear that profits are being spent on widespread programs of expansion and improvement in the industries, which are giving employment to millions and maintaining their purchasing power for consumer goods.

The Level of Costs

"The free markets, given time, will correct excesses in non-farm prices but their critics show less disposition to wait than in the case of farm prices. However, programs and pressures for price reduction which ignore costs can accomplish little. They can stimulate distributors to take markdowns on goods, but unless replacements are available to sell at the lower prices there will be no permanent gain. In our last issue we published compilations of percentage of net income to sales of 145 retail and wholesale distributors in 1946. The ratio ranged from a low of 1.6% for food chains to a high of 6% for non-food chains, and averaged 4.5% for the group. This was a good margin (though not as high as in some other years) but it does not leave room for price slashes as general and extensive as the newspapers talk about.

"Only through continuous effort to cut costs can lasting progress be made. Of President Truman's recent pleas for lower prices the most notable was his statement to the meeting of the United States Chamber of Commerce, in which he placed stress on careful planning, elimination of wasteful methods and practices, expanding facilities where needed, and increasing productivity.

"These are sound recommendations. Against them must be set the fact that another round of wage increases in the pattern of 15¢ an hour is now in motion. A surprising number of people view the increases with complacence, holding that it is worthwhile to avert major strikes and hoping that out of present profits and a possible increase in man-hour output the higher wage costs can be readily absorbed. But the conflict between wage increases of this size and the plea for lower prices is obvious. In many cases there was doubtless a choice as to which to do, now resolved in favor of the wage worker against the consumer. In few cases is there room to do both.

"Some believe the situation is actually strengthened by wage increases on the ground that a desirable expansion of purchasing power will result; and with an eye on the high farm prices some think the wage advances will be beneficial even though prices of some manufactured goods have to be increased. But the state of purchasing power cannot be judged by looking at the farmers and the members of trade unions alone. Together they constitute substantially less than half of the gainfully employed people, and the half which has already enjoyed the greatest increases in income. The other half will now be still further behind the procession. Many of them, such as pensioners and other recipients of fixed incomes, cannot possibly catch up. The railroads, which earned only 2.3% on their net worth in 1946, cannot give wage increases without raising rates. Farmers and factory workers alone cannot buy the full output of the consumer goods industries.

"Even more important, the wage increases can be expected as usual to outlast the profit increases, and to stand as an obstacle to cost reduction when lower costs become imperative to keep up sales, production and employment. In numerous cases business already is reaching that position.

"The circumstances point to but one conclusioin. With wages moving to new highs, lower manufactured goods prices must be sought chiefly through higher production per man-hour and resulting lower unit costs. The responsibility falls on management to squeeze out waste and improve methods and processes, and on labor to give a more efficient day's work. Beyond that there is hope of lower prices for raw materials as supplies catch up with demand. Both management and labor are on notice that they must satisfy markets which in many cases have already changed in favor of the buyer, and which will change in other cases as time goes on. Those who meet this test successfully will be those who find out what the buyer can and will buy, and then find a way to produce it."

W. J. Kelsey & Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—W. J. Kelsey & Company are engaging in a securities business from offices at 25 Taylor Street. Partners are Wilbur J. Kelsey and Frank Gonsaves.

Stassen Reports Talk with Stalin

(Continued from page 11)

possible—and the two countries will benefit only by this cooperation.

Mr. Stassen: That last part is clear. The statements I referred to are those made by you at the 18th Communist party congress in 1939 and the plenary session in 1937—statements about "capitalist encirclement" and "monopoly." I assume from your statement now that the defeat of Fascist Germany and Japan have now changed that situation.

Mr. Stalin: There was not a single party congress or plenary session of the central committee of the Communist party at which I said or could have said that cooperation between the two systems was impossible. I did say that there existed capitalistic encirclement and danger of attack on the U. S. S. R. If one party does not wish to cooperate then that means that there exists a threat of attack. And actually Germany, not wishing to cooperate with the U. S. S. R., attacked the U. S. S. R. Could the U. S. S. R. have cooperated with Germany? Yes, the U. S. S. R. could have cooperated with Germany, but the Germans did not wish to cooperate. Otherwise the U. S. S. R. could have cooperated with Germany as with any other country. As you see, this concerns the sphere of desire and not the possibility of cooperating. It is necessary to make a distinction between the possibility of cooperating and the wish to cooperate. The possibility of cooperation always exists, but there is not always present the wish to cooperate. If one party does not wish to cooperate then the result will be conflict, war.

Mr. Stassen: It must be mutual.

Mr. Stalin: Yes. I want to bear testimony to the fact that Russia wants to cooperate.

Mr. Stassen: I wish to point out, with reference to your earlier statement, that there was a great difference between Germany and the United States at the time Germany started the war.

Mr. Stalin: There was a difference in government but no difference in the economic systems. The government was a temporary factor.

Mr. Stassen: I do not agree. Yes, there was a difference of economic systems, too. Imperialism, the development of state monopoly, and the oppression of workers are the evils of capitalism practiced by the Nazis. It seems to me we have been successful in America in preventing the monopoly of capitalism and the imperialistic trend and that the workers have made greater progress through use of the strength of their vote and their freedom than Karl Marx or Frederick Engels thought they could make—and this regulation of free capital and prevention of monopoly and freedom of workers in America makes the economic situation quite different from that which existed in Germany.

Mr. Stalin: Let us not criticize mutually our systems. Every one has the right to follow the system he wants to maintain. Which is better will be said by history. We should respect the systems chosen by the people and whether the system is good or bad is the business of the American people. To cooperate one does not need the same systems. One should respect the other system when approved by the people. Only on this basis can we secure cooperation. Only if we criticize it will lead us too far. As for Marx and Engels, they were unable to foresee what would happen 40 years after their death. But we should adhere to mutual respect of people. Some people call the Soviet system totalitarian. Our people call the American system a monopoly capitalism. If we start calling each other names with words of monopolist and totalitarian, it will lead to no cooperation. We must start from the historical fact that there are two systems approved by the people. Only on that basis is cooperation possible. If we distract each other with criticism, that is propaganda. As to propaganda, I am not a propagandist but a business-like man. We should not be sectarianists. When the people wish to change the systems they will do so. When we met with Roosevelt to discuss the questions of war, we did not call each other names. We established cooperation and succeeded in defeating the enemy.

Mr Stassen: That sort of criticism has been a cause of misunderstanding after the war. Do you look forward in the future to a greater exchange of ideas and news, of students and teachers, of artists, of tourists, if there is cooperation?

Mr. Stalin: This will happen inevitably if cooperation is established. For an exchange of goods will lead to an exchange of people.

Mr. Stassen: Some problems have arisen between us in the past because of a lack of desire on your part to exchange ideas—like censorship of our foreign correspondents in Moscow. Instances also, for example, of the refusal of admittance of a New York "Herald Tribune" correspondent here have contributed to a lack of understanding between our peoples.

Mr. Stalin: (After questioning Mr. Molotov.) That is true about the New York "Herald Tribune." A part of American correspondents have an ill mood toward us. But this "Herald Tribune" case is an accident. It is an outstanding newspaper. It's an accident and not our policy.

Mr. Stassen: They now have a correspondent here, but only under temporary permission for the Council of Foreign Ministers meeting. They have been seeking a visa for a permanent correspondent here for some time. (Smiling) It is a leading Republican newspaper and one that assumes even greater importance now that the Republicans have a majority in Congress.

Mr. Stalin: (Smiling) It is all the same to us. We do not see any big difference between the Republicans and the Democrats. We held a conference of three powers at Teheran, where good work was done by us in a friendly atmosphere. Yet, one American correspondent, whose name I at the moment do not remember, sent a cable and said Marshal Timoshenko was present when in fact he was not present, and that I struck Marshal Timoshenko at dinner—but this was a rash and slanderous fabrication and are we supposed to praise this correspondent? There were many witnesses, about 30 people, such as Churchill, Brooks, Leahy, etc., there who saw that no such thing happened. We celebrated the sixty-ninth birthday of Churchill at that dinner. Nevertheless, this correspondent sent this false news and it was published in America. Are we expected to trust such correspondents? We do not think the United States or its policy is to blame, but such things happen and create ill-feeling among the Soviet people.

Mr. Stassen: There are instances of irresponsible correspondents who make such misstatements but the other correspondents correct these misstatments and the people learn to know who are reliable and who are not reliable, and thus we find the people understanding and united, as they did in the great war effort.

Mr. Stalin: That is true.

Mr. Stassen: Whenever a newspaper correspondent makes a clearly intentionally incorrect statement of importance, his newspaper will recall him, and thus our newspapers establish an able, fair staff of correspondents.

Mr. Stalin: (Smiling) In the beginning the correspondents write sensational stories, the newspapers publish them and make money on them, and then fire the writers.

Mr. Stassen: The press, foreign trade, cultural exchange, are spheres where the two systems must find ways of fitting together and improving their relations.

Mr. Stalin: That is true.

Mr. Stassen: I feel that if stories came out without censorship, it would be a better basis for cooperation and understanding by our people than any other basis.

Mr. Stalin: It will be difficult in our country to dispense with censorship. Molotov tried to do it several times. We had to resume it and each time we repented it. In the autumn of 1945 censorship was repealed. I was on leave and they started to write stories that Molotov forced me to go on leave and then wrote stories that I should return and fire him. These stories depicted the Soviet government as a sort of zoological garden. Or course, our people got angry and they had to resume censorship.

Mr. Stassen: As I see it then, you think it is possible that there be cooperation provided that there is a will and desire to cooperate?

Mr. Stalin: That is correct.

Mr. Stassen: In the development of the standards of living of the people, mechanization and electrification have been of major significance. The new development of atomic energy is of very great importance to all peoples of the world. I feel that the matter of international inspection, effective controls and outlawing the use for war of atomic energy is of supreme importance to all peoples of the world. Do you feel that there is a reasonable prospect of working out agreements for the long-term future for the peaceful development of atomic energy?

Mr. Stalin: I hope for this. There are big differences of views among us, but in the long run I hope we shall come to an understanding. International control and inspection will be established in my view and it will be of great importance. The peaceful use of atomic energy will bring great technological changes. It is a very great matter. As for the use of atomic energy for war purposes, this in all probability will be prohibited. It will be a problem in the long run that will be met by the consciences of the people and it will be prohibited.

Mr. Stassen: Yes, that is one of our important problems and if solved it can be a great boon and if not a great curse to the people of the world.

Mr. Stalin: I think we shall succeed in establishing international inspection and control. Things are leading up to it.

Mr. Stassen: I appreciate the opportunity of talking with you.

(Forty minutes had elapsed and Stassen indicated a conclusion of the conference but Stalin's response and manner indicated a willingness to continue the discussion.)

Mr. Stalin: I am at your disposal. We Russians respect our guests.

Mr. Stassen: I had an informal talk with Mr. Molotov at the San Francisco Conference and it developed into an invitation to visit Russia on the occasion of my trip to Europe.

Mr. Stalin: Thinks are in very bad shape in Europe as a whole. Is that true?

Mr. Stassen: Yes, in general, but there are some countries that are not bad. Switzerland, Czechoslovakia.

Mr. Stalin: Those are small countries.

Mr. Stassen: Yes, large countries are in a very different position. Their principal economic problems are coal, currency inflation, raw materials for production and supply of food.

Mr. Stalin: Europe is a land where there are many plants but a great lack of raw materials—the shortage of food and raw materials is the tragedy.

Mr. Stassen: The low production of coal in the Ruhr has caused a shortage of coal throughout Europe.

Mr. Stalin: Yes. It is very strange.

Mr. Stassen: It is fortunate that we have had such large production of coal in the United States. We have shipped much to Europe. We are mining two million tons of bituminous coal a day.

Mr. Stalin: Things are not bad in the United States. America is protected by two oceans. In the north there is a weak country, Canada, and to the south a weak country, Mexico, and so you need not be afraid of them. After the War of Independence the United States did not have another war for 60 years and that was a great help to the rapid development of the U. S. A. America's population is made of such people as fled from monarchy and tyranny and kings and landed aristocracy, and that was also a great help, and that is why America developed in leaps and bounds.

Mr. Stassen: One of my own great-grandfathers fled from the old empire militarism in what is now Czechoslovakia. Of course, the geographical position has been of great assistance to the United States. And we have been fortunate that the enemy in recent wars has been defeated far from our shores. But also under our free economic system we have been able to rapidly reconvert and resume large peace-time production since the war. Our problem now is to see to it that we do not have a depression, an economic crisis.

Mr. Stalin: Do you expect a crisis?

Mr. Stassen: I do not. I believe we can regulate our capitalism and stabilize our production and employment at a high level without any serious crisis. But it is the main problem to avoid a depression in our economic system. With wise policies in government and through learning the lessons of 1929 and the 1930s, we should have a successful, regulated but not a monopolistic, capitalism with which we can avoid economic crisis.

Mr. Stalin: The government must be vested with wide powers to accomplish that. The government must be strong and adopt broad measures.

Mr. Stassen: Yes, and the people must understand the measures of stabilization, and suport the economic system. It is a new problem as there has not been a parallel to our high American production in the economic systems of the world.

Mr. Stalin: There is one favorable condition for the United States in that two competitors in the world market—Japan and Germany—have been eliminated. So the demand for American goods will grow and create favorable conditions for American development. Such markets as Europe, China, Japan are open to the United States of America and will be helpful to it. No such conditions have existed before.

Mr. Stassen: On the other hand, those areas have no means of payment, and thus are actually a drain on us. But the removal of two imperial militaristic threats is a boon to us and to the other countries of the world from a standpoint of peace. And of course world trade has not in the past been a large factor in the United States. Our principal markets have been at home or in our own hemisphere.

Mr. Stalin: About 10% of American production was exported before the war and now South America is also a market. As to the capacity to purchase goods, I think there are merchants who will find the capacity to pay for them and they will resell to peasants. I think the merchants of these countries have accumulated cash to pay with. So U. S. exports will increase to 20%, is that not correct?

Mr. Stassen: No.

Mr. Stalin: Do you mean that?

Mr. Stassen: Yes, I think 15%. Most merchants have accumulated only local money, which in most instances is blocked and not good for movement from one country to another. So I think our real trade will not be over 15%.

Mr. Stalin: Still if you take into consideration the volume of your production that is not a small figure.

Mr. Stassen: No, it is not a small figure.

Mr. Stalin: Do American industries have a lot of orders? Is that true? And that American factories can't keep pace with them and that all factories are running at 100%. Is that true?

Mr. Stassen: Yes, substantially, but they are largely domestic orders.

Mr. Stalin: But that is the most important.

Mr. Stassen: Food, women's clothing, and shoes, for example are catching up, but in such industries as automobiles, machine tools, locomotives, they are way behind their orders.

Mr. Stalin: Magazine analysts and the American press carry open reports to the effect that an economic crisis will break out.

Mr. Stassen: Yes, there have been those reports in the papers. Also reports that there would be eight million unemployed the year after the war. But they were wrong. The problem is one of leveling off at high production and stabilizing without having an economic crisis.

Regulation of Capitalism

Mr. Stalin: The regulation of production?

Mr. Stassen: The regulation of capitalism. There are those who say there will be a depression but I am optimistic and say we can avoid a depression. I find a broader understanding by the people of regulation of capitalism than before.

Mr. Stalin: But what about businessmen? Will they be prepared to be regulated and restrained?

Mr. Stassen: No. Some will have objections.

Mr. Stalin: Yes, they do.

Mr. Stassen: But they understand the 1929 depression should not be repeated and they understand better now the necessary regulations concerning business. It requires a careful amount of fair regulation and wise decisions and prompt action by the government.

Mr. Stalin: That is true.

Mr. Stassen: But all systems and all forms of government require that. If bad mistakes are made under any kind of government then it is harmful for the people.

Mr. Stalin: Yes.

Mr. Stassen: Japan and Germany demonstrated this.

Mr. Stalin: Yes, warlords guided the economy and they didn't understand anything about the economy. Tojo, the war leader in Japan, only knew how to wage war.

Mr. Stassen: I appreciate this opportunity of talking with you and the time you have given me.

(Conference started 11:00 p.m., April 9, and ended at 12:20 a.m., April 10, 1947.)

SEC Collaboration with Security Dealers

(Continued from page 7)

mission's behalf until last summer and early fall.

Since that time there has been a highly gratifying conversion of what might have been merely a pleasant exchange of benign sentiment into practical work together.

In San Francisco I pointed out that the SEC came into being at about the same time as the National Security Traders Association. I said that we are concerned officially with many of the same problems that concern you in your day to day business—that we are concerned basically, as you are, that the securities markets shall function efficiently—that we are concerned, as you are, that those markets shall serve with the highest effectiveness in the gathering of capital, genuinely needed to finance industrial and commercial enterprise, and in providing facilities for the ready exchange of interests in such enterprise between those who want to dispose of them and others who want to acquire them.

Securities Trading Essential to Free Enterprise

There is no point in discussing here the economic justification of the distribution and trading of securities. I think we would all agree that those functions are not only useful but essential to the effective operation of our system of enterprise. It is one of our main interests on the Commission to see to it that those functions continue to be performed efficiently. It is a principal objective of our authorities to see to it that the market for securities is kept free from rackets and that consequently public confidence in the markets is maintained. It is a part of that responsibility to see to it, as far as practical within our statutory powers, that the distribution and marketing functions are so conducted as to be free from fraud and manipulation and that all participants have access to the information they need to have to make sensible decisions.

I suggested last September in San Francisco that the concern we have with these matters as public officials is no more direct and no more positive than the concern you have with them as members of the industry if you expect to continue, year in and year out, to make your living through the distribution or trading of securities.

I mentioned then that within the securities industry the view is still widely accepted that the interests and objectives of the Commission are antagonistic to the interests and objectives of the members of the industry. I said that the persistence of that attitude has in the past impeded our working together as fully as we might to make practical improvements in our rules and procedures, and in your operations, that might well reduce the burdens of regulation that now fall upon you and diminish in many details the complexity of the machinery we now operate in an effort to achieve effective restraints upon malpractice in your business.

Cooperation Gratifying

The cooperation we have received since last September has been highly gratifying. A great deal has happened since then. I hope that more will happen in the future, with similar cooperation. If we continue to get that kind of cooperation, ultimately our job should be much easier and more effective. More important to you, we should be able to cut to a minimum those practices in the securities industry which are bad for your customers and bad for your business without laying upon legitimate operations as heavy a hand as still remains necessary in some instances to keep effective restraints upon your malefactors.

Since last September we have substantially simplified some of the major forms and procedures to be used in registering securities for public distribution. The approval of the revised forms and procedures brought to fruition a project commenced long before. It had required meticulously careful study. In working out those changes we had the benefit of innumerable helpful suggestions from many people in the securities business. Those suggestions contributed substantially, to an extent that is difficult fully to evaluate, towards what is proving already to be a most helpful result.

I am convinced that the registration forms and procedures have not yet achieved, by any means, the ultimate degree of simplification and practicality that can be achieved. The present forms and procedures seem to be working as a great improvement over those previously used. But we have no disposition to regard the job as finished. The Commission and its staff learns constantly through its experience with the actual use of those forms and procedures. They will continue to be simplified and improved as rapidly as it is possible to evaluate clearly the specific possibilities for simplification and improvement. I hope that you in the business will continue to criticize what appear to you to be defects in them and to suggest what appear to you to be desirable changes. I assure you that those criticisms and suggestions will be welcomed and will receive careful, objective consideration. They will be tested against the requirements of the Act and against the experience of the Commission and its staff, gained through their efforts to make the Act effective. They will be incorporated into our procedures and forms if they prove to be practicable and consistent with the purposes of the legislation under which we operate.

Red Herring Prospectuses

Since last fall we have attempted also, through encouraging wider use of red herring prospectuses, to develop improved methods of getting adequate, accurate information about proposed security issues broadcast in advance to those engaged in public distributions. In working out these changes, too, we had the benefit of consultation and suggestions from many representatives of the securities business. Those suggestions were infinitely helpful in appraising the problem, in matching the advantages and disadvantages of numerous proposals, and in working out the procedures finally agreed upon.

Here too we are not satisfied that we have reached the ultimate degree of effectiveness. Indeed there are some readily apparent defects in the current operation of the revised procedures. Some of the difficulties doubtless derive from their novelty. These will shake down with time and experience. Others may prove to be fundamental difficulties that will require further changes, perhaps drastic ones. We shall welcome your criticisms and comments with respect to all of this. They can be extremely helpful.

One of the other projects—(and perhaps the major one)—that has come into public consideration since last September has been our undertaking to review the Securities Act of 1933 and the Exchange Act of 1934 to discover whether changes are needed in those Acts and if so what changes.

In undertaking this extremely difficult and complicated analysis the Commission publicly invited suggestions from the securities industry, from representatives of those who issue securities, and those who buy them, and from other groups who have a reasonably direct interest in the operation of these two Acts.

The responses we have had to these invitations has been a source of great assistance to us. There has been great diversity in detail in the criticism of existing provisions we have received. There has been even greater diversity in the suggestions made as to methods for correcting the difficulties thought to exist in the Acts as they now stand. That, of course, was to be expected. Any piece of legislation affects different people in different ways. That is especially true if it is regulatory legislation of the type exemplified in these two Acts. Generally speaking, the suggestions received have been designed to relieve these specific strictures of the Acts that most directly affect the particular group submitting the suggestion. Many of the comments derive from the specific chafing of the restraints imposed. That is only natural. Nobody likes to be regulated even though he may think regulation in general is a good thing.

Regulation More Effective

But the thing that has most impressed us in reviewing the criticisms and the suggestions for change that have come to us in this program of statutory review, has been the extent to which the ideas proposed have been directed not towards eliminating the regulation proposed to be accomplished by these Acts but rather towards making it more practical, more effective and more precisely selective in its application to those whose operations require regulation.

Now obviously all of the suggestions are not in agreement. Indeed there is essential and basic conflict between some of the methods they propose for accomplishing the objectives of the Act. Obviously, too, we cannot agree with all of them. Most especially we cannot agree with those which in reaching for practicality, would wholly cripple or eliminate all effective means of restraining practices which it is the purpose of the Act, as far as possible, to eliminate.

But we have gained tremendously in our specific understanding of the detailed problems of people in the securities business by the correspondence and the discussions we have had in connection with this legislative program. I think it is true, too, that many of those from your business who have taken part in these discussions have come to understand more clearly than they did before, not only the objective of the Acts but the attitude of the Commission and its staff in administering them. I think that they have come also to understand more clearly, and with wider perspective, the problems of their own business as broad national problems, outside the narrow confines of their individual day to day operations. That enhanced mutual understanding, it seems to me, is a very healthy thing. It leads away from the narrow exchange of carping criticism that has characterized the industry's relations with the Commission at times in the past. It can, if it continues, lead towards constructive statesmanship in the field of securities regulation. And, it is likely to lead to the development of increasingly practical methods for accomplishing results which everyone now seems to agree need to be accomplished.

Study Not Completed

We on the Commission have appreciated the collaboration we have had in our work on these problems far more, I am sure, than those who have given that collaboration have realized. The fact that we don't always agree with what is proposed does not indicate that we reject the cooperation implicit in the offer of suggestions even though we may feel we cannot accept them. We have not completed our study of these problems. Nor have we reached final conclusions about specific methods for improvement of the present legislation. The interchange of conflicting suggestions highlights the points of controversy. It identifies the difficulties of particular problems and techniques. Frequently it points the way to practical solutions. We have not expected full agreement within the industry. Even less have we expected general acquiescence in suggestions that have occurred to us. We are glad that there has been a free exchange of ideas and free debate of opposite views. That process exemplifies a practical application of the democratic way of getting at problems of this sort. It is a somewhat cumbersome method. It is much more cumbersome and slow than the arbitrary issuance of regulations without consultation, in whatever form they initially occur to a relatively small group empowered to issue them. I think it is likely to produce far better results. But it is essential to the effectiveness of such a system that you who deal with these problems daily in specific situations bring to us freely the benefit of your experience. That kind of experience we can get only from the industry.

I think we have made much progress in this line in the past few months. I think there is an improved sense of understanding between the industry and the Commission. On your part an improved understanding of what we are driving at and how we are trying to get the results that Congress has directed us to achieve. On our part an improved understanding of the practical problems you meet from day to day and a widened perception of ways by which the objectives of the statutes we administer can possibly be achieved while interfering less than they do now with legitimate operations. I think in that respect this has been a good year for the relations between the Commission and the securities industry. I hope that the spirit in which the work done this year has been accomplished will continue and that effective cooperation will increase as we gain in experience and common understanding by working together.

There is one point it would be improvident to forget in enthusiasm for this general subject of collaboration between the Commission and the securities industry. It is impossible for the Commission. If it is to carry out the duties Congress has reposed in it, to overlook the objectives of the legislation it administers. It is impossible for us to neglect, in the interests of practicality, a reasonable probability that a particular proposal will not contribute towards achievement of those objectives, and may nullify them.

Purposes of Directives

There are certain types of activities we are directed to prevent, and to punish if they occur. There are certain types of activities we are directed to require in order that the people buying and selling securities shall have accurate information on which to base their judgment in buying and selling. It is our responsibility to see to it that activities that violate the statutes or frustrate their objectives are curtailed as far as it is feasible for us to curtail them. In is our responsibility to see to it that people dealing in securities are provided with adequate, accurate information essential to the making of the judgments they have to make if their buying and selling are to make sense from the point of view of their requirements. It is almost inevitable that general rules, likely to be effective to accomplish these results, will restrain, to some degree, activities whose motive is not fraud or concealment or overreaching, where the mechanisms employed leave the way open to fraud and concealment and overreaching by those who would use them for those purposes.

We are as anxious as you are to have the restraints imposed interfere as little as possible with legitimate operations. We are as anxious as you are, and probably more, that the applicable rules shall require a minimum of expense and effort for effective enforcement. But in almost all discussions of details or methods we receive suggestions, couched in terms of practicality, whose effect would be to forego, for all practical purposes, the effective achievement of the regulation it is our responsibility to enforce.

I hope you will appreciate the fact that the Commission cannot accede to proposals that would nullify the statute. I think there is a natural disposition on the part of most people—not all, but most—to feel a certain distaste for constantly regulating other people's business. There is a not unnatural wish to make concessions to practicality. It is not always easy to insist upon requirements which, although apparently necessary to curtail malfeasance, put burdens and restraints on those who have no thought or impulse to malfeasance. If from time to time you feel, and I am sure you often do, that we are going too far in our regulations, let us know. We are anxious not to go further than we need to go. Perhaps you can show us a better way to do the particular job that bothers you. But consider too whether the regulation you criticize, by forestalling abuses likely to reflect upon the standing and integrity of the business in which you are engaged, may not be likely in the long run to bring you more benefits than it takes away. If you are convinced that it does not then tell us how you think we could do it better. We'd always be glad to know.

Problems of Over-the-Counter Trading

Another point I should like to mention before I close deals not so much with the relations between the securities industry and the Commission as with relations within the industry itself. You are engaged in a fast moving, intensely competitive business. It is a business that has numerous and highly diversified subdivisions of function. The process of issuing securities differs materially from trading them after they are issued. Trading on exchanges differs in essential mechanics from trading over the counter. There are numerous divisions of interest within the industry. To some extent there may be a mutual incompatability of interest between the groups engaged in these different types of operations. To the extent that these differences stem from genuine differences in function and make for genuine competition they are probably a healthy thing. But it's easy for such differences to magnify themselves into antagonisms beyond the bounds of realistic need. It has occurred to me at times that there is much room in your business for a greater interchange of views among your own divisions, similar to that which has commenced between your industry generally and the Commission. I suggest that you might well consider whether in reality your interests are so far apart from those whose functions in the industry differ from yours or whose method of operating takes a different form. I have sensed some divisions of thought among you that seem to hamper wholly objective consideration of proposals under discussion with us—antagonisms that cause aberrations in perspective wholly unrelated to the merits of the proposals under discussion.

A typical example of this sort of thing is the initial approach taken by some of the people in your business to the proposal the Commission submitted to Congress last year recommending legislation extending certain provisions of the 1934 Act affecting reports, proxy regulations, and insider trading to companies not listed on exchanges and having more than 300 security holders and assets of over $3,000,000.

We have heard few if any objections to that proposal from the securities industry which attack, on the merits, the idea that investors in such securities should have available the kinds of information these provisions would require the issuers to make available to them. Instead the industry objections to these proposals have been almost exclusively the outgrowth of concern for competitive relationships within the securities business—primarily the fear that the extension of these requirements to securities of large enterprise to which they do not now apply would drain from the over the counter market, into exchange trading, securities now available exclusively for off board trading.

There has been some objection, too, on the part of houses that specialize predominately in a limited number of securities about which they have special access to special information. There have been other questions raised about this proposal, equally based in concern lest the result of the proposal would be to take away some present special advantage over competitors in the industry. Whatever may be said for these objections as they apply to the special interest of those who raise them, they are plainly not based on any concern for the welfare of the ultimate owner of the securities.

Recently there have been some indications from the industry, that perhaps the opposition to these proposals might be diminished if there were to be considered along with them some modification of existing practices affecting the determination of what securities shall be traded on exchanges and what securities shall be traded exclusively over the counter.

I don't propose now to discuss the merits of the main proposals. From the point of view of investors they seem to me to be meritorious beyond serious question. Nor do I propose to discuss the merits of the collateral controversy which these proposals raise.

Division of Market

I do suggest that the two questions are quite separate questions and should be considered as such. And I wonder whether the securities business itself does not have sufficient statesmanship to focus its attention on the only problem these proposals seem to raise as far as your business is concerned—the problem of division of the market for the securities that would be affected—and work out some suitable suggestion for dealing with that question.

I point to the possibility of candid consultation within the industry on this question merely as an example of the sort of thing that would benefit from the development of a closer community of viewpoint within the securities business itself, and from a common appreciation of the fact that fundamentally you are all engaged in carrying out, in various ways, parts of a function in our economy that is essential to its continued well being.

You know as well as I that many operations in carrying out that function are not now performed as efficiently or as fairly as they might be. You know that many things go on that are inimical to the interests of the public investors from whose patronage, ultimately, you make your living. I wonder whether it wouldn't be better that you be alert to work out, within the industry, ways to eliminate those things which, in the long run, can do your business nothing but harm, rather than to wait for the spur of government regulation. Internecine feuds over division of the spoils can accomplish little in the long run except to bring the entire industry under criticism and perhaps subject it to regulation more drastic than would be needed if the forces of self-restraint within the industry were as effective as they might be.

Needed—A Tax Structure to Restore Incentives

(Continued from first page)

happy to place such information and experience as I possess at your service. In anticipation of this occasion, and in order to conserve your time, I have prepared a brief memorandum which, if I have your permission to do so, I would like to read.

I think the principal danger in tax matters is that the Congress may fail to take advantage of the current period of assured replacement demand to restore the incentives to industrial progress that have been largely destroyed by the existing tax structure. Unless those incentives are restored, it seems probable that as the replacement demand is satisfied the country will lapse into the condition of chronic unemployment that prevailed for many years prior to the war.

What I have to say, therefore, revolves around three points: The first one is the incentive-destroying nature of the present tax structure. The second one is the false notion that the current large volume of employment means that incentives are no longer necessary. The third one is the confusing of tax policy with inflation and deflation phenomena which has given some people the notion that incentive-destroying taxes should be maintained as an anti-inflation measure.

Taxes Versus Incentives

The principal feature of the present tax structure that affects the prospect of maintaining production and employment is the unparalleled severity and progressiveness of the taxation of individual income. This taxation represents virtual confiscation of income in the upper brackets. By the same token, it represents a progressive penalty on individual investment and production effort. This is especially true when it is realized that a great deal of America's production is conducted through corporations. Income earned by corporations is currently taxed at unprecedented peacetime rates. Such remainder of income after taxes that is paid out in dividends is then subjected to the unprecedented peacetime taxation of a progressive sort to which I have referred.

May I point out that there is only one way that accords with the history of America of providing new and more and better goods and services on a constantly cheaper and more abundant scale. It is that some one by investment of his savings, somehow, somewhere, provides the tools of production — that is, the plant and equipment and other things needed to produce goods and services. Those most able to do this, and most able to afford the losses attending the risk, are those of larger income. They have no reason whatsoever for doing so except in the hope of profit. And it should also be pointed out that from the point of view of needing additional income, in order to survive in comfort, they have the least incentive to expand an income that is already large.

Bearing this in mind, what would you do with taxes if you wanted to destroy the initiation of new or expanding enterprise out of which come more and better jobs, and more and better goods and services? I think you would do just about what the previous Congresses have done. You would take the most important group of investors—that is, those of larger income—and you would say that a great part of any additional income which they might make from providing additional job-creating tools of production would be confiscated by taxation. This would simultaneously deprive them of the sums they might otherwise invest, and destroy their incentive to invest what was left—an incentive already and inherently relatively less than in the case of those of lesser income. If you wanted to, you could justify this destruction of incentive by claiming that those of larger income have the ability to pay and would have enough to live on after paying the tax. This would be true, but the other half of the truth would be this: With their ability to pay being conscripted for tax purposes, both their ability and incentive to provide the tools for jobs and progress would have been largely destroyed.

I know many individuals who are not producing up to their capacity by reason of the tax discouragement affecting their efforts. The taxes they pay are large in relation to their income; but their taxes are small in the total collections.

While we are all born "free and equal" we are all born with the inequalities that make us individuals. The greatest thing America offers is freedom for the "uncommon" man—freedom to make the most of the abilities he was born with, or can develop. Most often we fail to recognize the small cost to the public of providing the "uncommon" man with the incentive to produce to the best of his ability. We almost completely fail to recognize the great benefit to mankind of maintaining incentive. It results in multiplied availability of ever better goods and services at ever smaller expenditure of human energy. "Soaking the rich" turns out to be a boomerang that returns to hit those who launch it.

Our tax structure constitutes, in my judgment, a wet blanket smothering the incentive of the very group which has competitively proved its capacity to initiate new enterprise or expand small enterprise that will provide new jobs for workers and goods and services for all.

I think the evidence of this is overwhelming. Thus one of the outstanding characteristics of the middle and later 1930's was the year by year introduction of additional and progressive tax penalties on successful enterprise in terms of taxes on both corporate income and individual income. At the same time, another basic characteristic of the 1930's was persistent and pronounced unemployment. It is a grim truth that that unemployment prevailed, and seemed likely continuously to prevail, until we went to war and absorbed the unemployed in the Army and in supplying it. If the tax schedules of the 1930's were sufficient to contribute to the unemployment conditions of the 1930's, what can we say of the present tax schedules?

Importance of Incentive Disguised

I am well aware of the feeble argument that since we currently have so-called "full employment" we do not need tax release of incentive. This argument, in my judgment, represents a profound misreading of the current situation, and adherence to that argument must inevitably result in a policy of continuous inflation. The present situation is characterized by the presence of a great flood of check deposits and currency resulting from the wartime practice of what is substantially equivalent to employment of the paper money printing press.

The second major characteristic of this period is, of course, the great shortage of peacetime durable goods resulting from their subnormal production both before and during the war. It is wholly natural that people should try to convert the money of which they are "long" into the goods of which they are "short." This is a demand for accustomed goods produced for the most part by business firms already in existence. In considerable degree the presence of these firms represents incentive and initiative of long ago. Once investors' money was sunk in brick, mortar, tools and equipment, a hostage was given to the future. The firms now have to operate for whatever minimum profits are available after taxes. They even have to operate at losses so long as the losses represent a lesser loss than would result from closing down. They even have to invest for the purpose of replacing obsolete tools, to the extent that they have the earnings or can obtain the credit to do so, in order to remain competitive. It follows, therefore, that while the replacement demand lasts we will have the appearance of healthy production and employment. But please note that we are talking about existing firms producing accustomed goods to replace goods of which we are short. When that replacement is completed, their business will shrink. But in the meantime, new firms are shut out from starting, and small firms are prevented from growing by reason of the tax destruction of profit prospect commensurate with risk. When replacement is completed, then where is there going to be the expanding *new* enterprise to absorb the workers released from existing enterprises as their technology improves and the demand for their product shrinks?

If we should arrive at such a situation without having released the incentive and ability to undertake new enterprise or expand small enterprise, then I feel pretty certain that the political outcome will be that the government will undertake large-scale deficit spending, financed again by expanding bank credit, in an attempt to offset the inevitable large-scale unemployment. That is why I said a moment ago that "talking down" the need for restoring incentive must inevitably result in a policy of continuous inflation.

Taxes Versus Inflation

I think a good many people make the mistake of thinking about taxes in terms of price inflation or deflation, instead of paying attention to the very much more fundamental relationship of taxes to production and depression. Taxes can be profoundly depressive on production through destroying the profit incentive to initiate production. But that is not deflationary on prices; it is inflationary, if anything. Decreasing the availability of goods to be bought in relation to the money supply with which to buy them is clearly inflationary rather than deflationary on prices. The popular notions about the relationship of taxes to price inflation, particularly if the Government is prepared to inflate the money supply in an attempt to offset a decrease in employment, are exactly wrong.

I think the general truth is, from the point of view of the money mechanics involved, that taxes being taken by the Government, and by the Government paid out, are returned to the market and the equilibrium between money coming to market and goods coming to market is maintained. Taxes shift the capacity to buy things from taxpayers to the recipients of government disbursements, but in and by themselves taxes are neither inflationary nor deflationary. Tax consequences to the community are more to be sought in terms of their influence upon incentives to produce than upon prices.

The confusion between tax policy and price changes comes about when government expenditures are financed out of deficits which are covered by the modern equivalent of printing money. You are, of course, familiar with the process. It is this process, not taxation, which is the root of our present price inflation. If we are afraid of inflation, the place to cure it is as its source. That source is the persistent practice of an easy money policy by which not only the Government, but also private borrowers, are enabled virtually at will to have new deposits created by commercial banks — deposits to be spent in markets which are already flooded with the accumulated results of previous persistent practice of easy money policies.

May I sum this up by saying that I think the Congress has an historic opportunity, an opportunity which may not last long or recur soon. It is to take advantage of the present period of replacement demand for goods to free, through tax revision, the profit incentive to produce, and substitute it for the printing and spending of money as the guiding principle in our economy. I think it important that this be done because the record of history is strewn with the disasters which sooner or later result from relying on printing money as a means of maintaining production and employment.

Thomas E. King & Co. Formed in Chicago

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Thomas E. King & Co. has been formed with offices at 39 South La Salle Street,


Ralph Bloom


Thomas E. King

to engage in the securities business. Officers are Thomas E. King, President and Treasurer, and Ralph M. Bloom, Vice-President and Secretary. Mr. King was formerly a partner in Hicks & Price. Mr. Bloom was a partner in Cayne, Robbins & Co.

With Dean Witter & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Francis I. Scane has become connected with Dean Witter & Co., 632 South Spring Street. Mr. Scane was previously with the First California Company.

With King Merritt & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Leslie C. Curtis has become affiliated with King Merritt & Co., Inc., Chamber of Commerce Building.

Public Interest in Sound Railroads

(Cntinued from page 14)

now moving is the greatest in peacetime history. It is one thing to be short of income because business is slack and prices are depressed, but it is much more serious when this great and indispensable industry cannot obtain a living wage out of the highest peacetime volume of business ever known.

Under governmental processes over which the rail industry has no control and with which you are all familiar, wages, cost of materials and taxes have reached unprecedented heights since 1940. You will better appreciate what this increased cost really means when I tell you that in 1947 it will cost the railroads $2,224,000,000 more to haul the traffic they expect to haul this year than it would have cost to haul exactly the same volume of traffic in 1940. Two and a quarter billion dollars more cost to do the same business now than in 1940! The problem is further limelighted by the fact that to offset this huge cost increase of more than 50%, the industry has been granted, months after the cost increases were incurred, a freight rate increase of but 17.6% and a passenger fare increase of only 10%. From these delayed increases the additional revenue this year will amount to less than one-half of their increased costs.

Problem of Absorbing Higher Costs

Our problem is plain. It is how to meet and how to absorb this vast spread of over $1,000,000,000 by which increased costs have outstripped increased revenues. The answer cannot be found in an increase in business, for, as I have already said, the volume of traffic now being handled is higher than ever before in any peacetime year. In like manner, this wide gap between increased expenses and revenues cannot be bridged by any technological improvements or economies within the range of reasonable expectations.

It would not be possible for me to tell you these things about the railroad industry here tonight if it were an unregulated industry free to manage its own affairs as are other industries. In that case the railroads would, themselves, like other industries, shape and adjust their prices to changing costs and competition as their own judgment indicated and stand or fall in consequence. But the reason I want to bring this situation forcibly to your attention is that you may clearly see what has happened, and is happening to this highly regulated industry. This regulation is intended to be in the public interest. You are the public, and since the regulatory processes are your processes, you should know how those processes are really affecting the rail transportation upon which your own welfare and the business and prosperity of the nation are so dependent.

You have a vital interest in how the present policies of regulation are working out in practice. If they are so operating that income and outgo are out of balance, if, in short, income charges are too little and too late, your own self-interest in keeping the railroad service you need and that the nation requires is that you do something about it.

So long as transportation by rail continues to be, as it now is, the kind of transporation upon which this country must primarily depend, conditions that unnecessarily contribute to the weakening of that transportation become doubly important. No city, town, state or country is any stronger than its transportation system. Railroad transporation does not have, and does not seek, subsidies nor does it want any monopoly in the carrying field. The public should have every kind of transportation its patronage will support. Other agencies of transportation have been born and developed to the point where, although in the aggregate they handle a small portion of the country's total traffic, their competition is an effective drain and we must reckon with it.

Rails Not Fairly Treated

Congress has declared, in a statement of national policy, that all these competing carriers should be fairly and impartially regulated; that the inherent advantages of each should be recognized and preserved, and that between them there should be no unfair or destructive practices. This is a Congressional statement of the rule of fair play, and as a policy and principle it is an admirable one. The unfortunate part about it, however, is that, in practice, the competition between competing carriers of today is not on the fair basis of the natural merits and inherent advantages of each, but is, in fact, an unfair and destructive competition because of the subsidy advantage received, in one form or another, by all competing carriers, except only the railroads and the pipe lines. Only the latter stand upon their own legs and pay their own way. The airlines, the water lines and the highway carriers are able to maintain rate levels lower than sufficient to cover the real cost of the service they render because part of the airways, the waterways and the highways which they use is furnished to them out of taxpayers' money, either free or at less than their cost.

The resulting detriment to the public is twofold. First, it is called upon to pay out of the general funds raised by taxes, all of the costs of the transportation that is not covered by the artificially low rates of the carriers I have named. This means that part of the cost of the service of these carriers is, in the end, paid by the taxpayers, and the railroads themselves are one of the nation's largest taxpayers. The second detriment is found in the adverse effect the artifically low airline, highway and waterline rates have upon the rates which the rail carriers are obliged to charge their customers as they must pay the cost of their entire plant An artificial burden and handicap are thus placed upon the soundness and welfare of the rail industry at the expense of taxpayers, and upon which the public is still primarily dependent.

It seems to me that right now, perhaps as never before, the public should realize not only the extravagance but the twofold detriment of the discriminatory subsidies which still exist in the field of transporation. While they exist, our sound and well-expressed national transportation policy cannot be realized in actual operation. The American way is the way of fair play, without handicap or preference. Railroads have no fault to find with this policy. They find fault only in the fact that the policy is not applied and made effective to all methods of transportation, and that because of that rail transportation is seriously weakened and its service made less efficient than it otherwise would be. I am sure that you, too, will agree that it is now time this outmoded and un-American subsidy practice should be discontinued and every transporation agency left to stand or fall upon its own merits in the field of fair play.

What Railroads Should Earn

There is now current a widespread public misunderstanding concerning what is really earned on the money invested in the plant and upkeep of a railroad. The fact is that what is actually earned is not only much less than what the public thinks is earned, but it is also very much less than what the public thinks it would be fair for the railroads to earn. The weakening effect of the meager amount that is actually being earned upon the industry makes it important that the railroads tell their story so that the facts may be more clearly understood by the public.

The Supreme Court of the United States has said again and again, in cases before it for decision, that it is fair and reasonable for public utilities to earn a return of at least 6% on the money invested in the property devoted to the service rendered by the utility. The language of the court in one recent decision was that it is necessary for a utility whose service is devoted to the public, as is the service of a railroad, not only to have enough revenue to meet its operating expenses, but it must also have enough to cover the capital costs of the business. Capital costs, as you may all know, include interest on a railroad's bonded debt and reasonable dividends on the capital which has been invested by stockholders. In other words, said the court, "the return to the equity owner should be commensurate with the returns on investments in other enterprises having corresponding risks. That return, moreover, should be sufficient to assure confidence in the financial integrity of the enterprise, so as to maintain its credit and to attract capital."

This is a sound and salutary rule for measuring what a railroad ought to earn, at least so long as the railroads continue to be the backbone of the country's transportation system. I do not believe that anyone would question the reasonableness of such a rule, but how near have the railroads come to this mark?

The need for earnings approaching 6% was definitely recognized in the laws of this country immediately after World War I. The Commission was empowered to, and did, fix 5¾% as the fair measure of what should be earned by money invested in railroad property. Twenty-five years ago, under the encouragement of that state of our national regulatory policies, railroad earnings approached the 6% level on the depreciated value of the railroad plant, but since that time, the hard fact is that the trend has been downward at an accelerated rate. Over the last 25 years, the average annual return on railroad investment has approximated only 3¼%. And when it is remembered that this period includes both the boom period of the late twenties and the five big years of World War II, it can be realized how lacking this return has been in the intervening years. Today when railroads are handling the heaviest peacetime business in their history and when the volume of general business and prices have been high, the earnings of the railroads on the money invested were but 2.3% in 1946.

The sharp contrast between these scant railroad earnings and the return that is earned by money invested in other business, is, I fear, far from being generally realized by the public. It, therefore, needs to be told and retold that instead of the 2.3% earned by the railroads in 1946, the annual reports to their stockholders of over 2,900 leading corporations covering their operations in 1946 show that that year will go down in history as one of their best from the standpoint of earnings. According to these reports business companies generally, other than railroads, had a net income after taxes in 1946 28% in excess of what they had in 1945, and their average return on the money invested in them was 9½%, over four times what the railroads were permitted to earn.

The peril to the key railroad industry in such a state of affairs is self-evident. Already it has been too long continued. With railroads for the last quarter of a century unable to earn more than approximately half of what other industries generally were able to earn on the capital invested in their plants, the railroad industry has reached a state of undernourishment that now threatens its ability to continue as a private business.

New Capital Required

The railroads require a steady inflow of new capital in order to measure up to what is required of them as the nation's foremost carriers. This need is an insatiable one, for in no other way can the cost of the new equipment and the other new and modernized facilities that must continuously be supplied now and in the future be paid. This country wants, and requires, a kind of transportation that is continuously improved and made more valuable to those who require it. The art of building, operating and maintaining a railroad is therefore dynamic and ever changing, and its demands are continuous not only for human abilities but for new money. Without such an incoming of new energy and monetary substance, the quality and quantity of transportation must inevitably deteriorate below the level of our ever-advancing way of life. And should that unfortunate day arrive, the dissatisfaction then with the transportation rendered by private enterprise can only be expected to call for removal of the industry from private hands and its lodgment in the hands of government!

The question that should concern us therefore is, how the railroad business can be provided with an earning power that will attract the new capital which is so necessary and essential to its well-being and future existence. The option capital has today to seek employment in the other industries is too attractive to cause it to continue to elect employment in the railroad industry if the present low earnings of that industry are not improved.

Any doubt you may entertain as to the investor's dissatisfaction with railroad earnings can be satisfied by a comparison of the prices at which railroad stocks and the stocks of other industries are selling today. I know of no better test of the public's satisfaction with railroad earnings, or of an industry's ability to attract the capital it needs, than the price its securities command in the market-place. The last time the public was willing to pay an average price of 100 for railroad stocks was prior to the depression of the early thirties, when, railroad earnings more nearly approached the 6% level. Today, railroad stocks have so deteriorated in the public's estimate that they are selling for less than 50, on the Dow-Jones average, while, in marked contrast and as shown by the same average, the stocks of other businesses generally command an average price of 175.

In the eyes of the investor the return other businesses have to offer is much more attractive. Those who have money to invest apparently believe that the earnings on money put into the railroad industry are too little and too uncertain, particularly in the face of what can be obtained in other businesses, and in this belief they are borne out by the history of the last two decades and particularly by what happened in 1946 and is plainly in store for 1947.

Meager Dividends

You who own railroad stocks know how meager, on the average, have been the dividends you have received in recent years. Prior to 1930, when railroads were permitted to earn a return approaching 6%, they were able to, and did, pay dividends in excess of 5½% to stockholders. In the last two decades, when they have not been permitted earnings approaching that reasonable level, dividend payments have steadily declined and too often have ceased altogether. They amounted to only slightly more than 2% for the five years preceding the war, and even during the five war-swollen years the enormous increases in operating expenses kept dividend payments down to an average of only 2.85%.

I am not alone urging a square deal for the railroad industry, although the key position of that industry in our national life would be sufficient justification for my so doing. Sound railroads with good credit are vital to the welfare of the economy of this country. They are the largest purchaser of heavy goods; they are a great employer of labor and they are one of the nation's largest taxpayers. In addition to those who have their money in the property, those who work for it and those who patronize the roads also have a definite interest that is no less personal and important. To weaken an industry which plays such an important part in our industrial life affects everyone.

I am, therefore, not appealing for charity or sympathy for this industry. Instead, I appeal to what I believe to be your own and the country's best interests. The alternative to sound railroads under private management in this country is their socialization under some form of control and management by the Federal Government, a condition the public has repeatedly indicated it does not want.

There is much more at stake than merely a square deal for the railroad industry, important though that may be. Our American way of life is at stake. What we call our free enterprise system, our system of individual freedom, stands in jeopardy to the extent and in the measure that this great, basic industry has now reached the point where it is unable, by what it is permitted to earn, to maintain itself in sound financial health.

What is necessary, therefore, it seems to me, is that the facts of the situation in this essential industry be fully understood and frankly faced. So long as this industry continues to occupy a key position in the country's economy, it is to the interest of everyone that it be allowed sufficient financial nourishment to maintain itself. To accomplish this publicly desirable result, earnings not less than 6% are, and have been shown by experience to be, the measure that is necessary. A return of this amount would be substantially less than that now being earned by other businesses, yet it would be about twice what the railroad industry is now allowed to earn.

Conclusion

The case I have tried to present to you, the case I want to leave with you, comes down to this:

Until some better form of transportation is discovered, this country needs, and cannot get along without, good railroads. Railroads cannot be good unless they are free from malnutrition and starvation, and allowed to be reasonably prosperous. A return of at least 6% is needed for this purpose.

If, therefore, you believe these things, if you believe that a strong and healthy railroad industry is essential, not only to your own business and personal welfare, but as a bulwark against another way of life which most of us abhor, you will, I believe, be willing to approve an endeavor to speedily remedy this condition.

In presenting this picture to you I would not by any means have you believe that the solution of the railroad problem I have presented is impossible or that the industry is in its declining years. This country needs sound railroads. This country is committed to the system of public regulation of a railroad industry owned and managed by private enterprise. No one informed on the subject would dispense with this regulation. The country is obliged, however, to face the facts that the transportation it demands can only be supplied by an instrumentality that is allowed to earn a return that will sustain its credit. I have confidence that the fair-mindedness and the enlightened self-interest of the American people, when informed of the true facts of this problem, will see to it that the added nourishment this essential industry now requires is forthcoming.

Rep. Hartley Assails AFL Stand on Labor

(Continued from first page)

ity campaign. In its first 'ad' the AFL describes the House bill as vicious, un-American, destructive of labor and harmful to the public to whom the appeal is addressed. It sets forth as an alleged fact that the bill prohibits free bargaining by free men and that it promotes Communism.

"Mr. Green is mistaken and for their sakes I hope all labor union members will not be misled by what their leaders say, for exactly the contrary is true.

"The reason for Mr. Green's intemparate language would appear to lie in his recognition that monopoly and special privilege die as hard in labor as in business. Our bill takes much from the labor leader and gives back much to the individual worker who is a member of a labor union. It is not surprising that the denunciation should come from the leaders and not from the rank and file.

"Take freedom of speech, for example, the privilege of which Mr. Green now utilizes to the breaking point of truth. Our bill gives the worker a voice in his assemblies and provides him with his strongest weapon, the secret ballot. Our bill restores to labor relations full observance of constitutional principles. It was written by Congressmen elected last November by voters who included millions of labor unionists fed up on violence, quarreling, exploitation and pay stoppages through strikes.

"We wrote our bill after seven weeks of public hearings. Two million words of testimony were given by 137 witnesses, 57 of whom were labor leaders. The testimony was overwhelmingly in favor of just such changes as we propose to make in the Wagner Act. Since the text of the bill has been made public, large numbers of citizens, including individual union workers speaking for themselves, have approved the proposed legislation. One good reason seems to be that our bill takes the labor boss' foot from off the neck of individual duespayers, assures free bargaining to union members through the secret ballot, and gives back to the individual the right to work on the job of his own choice.

"The mandate given to us by the public last November to pass labor legislation in the public interest is being confirmed daily. The labor leaders, entrenched through years of privileged statutory support, cannot long withhold the facts. It is costing the AFL members a million and a half to be told untruths or half-truths. It will cost them nothing to learn all the truth about our bill. I write them all to write to me for a free copy of 'The Workers' Bill of Rights'!

"Under this bill, which places the public interest first, the individual worker has:

"The right to choose his own collective bargaining agent and to reject one forced upon him.

"The right to vote by secret ballot in a fair and free union election, the votes in which are openly counted.

"The right to govern his local union without dictation by present or absentee national or international union officers.

"The right to keep working without being embroiled in disputes outside his union, such as sympathetic and jurisdictional strikes, illegal boycotts, etc.

"The right to know what he is striking about before he strikes and to vote by secret ballot whether to strike or not after he is told what his employer offers.

"The right to criticize and to make or file charges against his employer, the union or the union officers without penalty or discrimination.

"The right to vote secretly on what union dues he is to pay and what union officers can spend his money for.

"The right to know what his union collects, what it does with the money it gets and how much it spends for officers' salaries, expenses, etc.

"The right to vote secretly to reelect or oust his union officers.

"The right to refuse to pay the union for any kind of insurance, welfare or relief he does not want.

"The right to remain a member of the union, except for specified charges, if and as proved.

"The right to speak his political beliefs and to vote as he chooses in all public elections.

"The right to be free of threats to his family.

"The right to settle his own grievances with his employer.

"The right to a union free of communist domination and control.

"The same right to strike for any legitimate purpose which he has had for the last hundred years.

"The right to a fair hearing, before an impartial Board, at no cost to himself, whenever he believes his employer or his union is depriving him of his rights.

"These are the rights specified in our bill, which the AFL advertises as 'shackles of slavery.'

"The American worker is intelligent and thinks for himself. He knows in his heart that a balance in the public interest is really in his own best interest. To restore such balance is the only purpose of our bill."

Cleveland Exchange Holds Second Forum

CLEVELAND, OHIO—Edward B. Greene, Chairman of the Board of the Cleveland-Cliffs Iron Company, was principal speaker for the company at the second in the series of forums on listed corporations held by the Cleveland Stock Exchange on May 6. Other speakers were H. Stuart Harrison, Treasurer, and James P. Long, Assistant Treasurer of the company.

The proposed $90,000,000 consolidation of the Cleveland-Cliffs Iron Company and the Cliffs Corporation is of particular interest to the financial community and to investors at this time, special meetings being scheduled, at which shareholders will vote on the consolidation proposals.

With Capital Securities

Special to THE FINANCIAL CHRONICLE

OAKLAND, CALIF.—Henry W. Allers is with Capital Securities Co., 2038 Broadway.

War's Aftermath and the Stock Market

(Continued from page 3)

the more labor wanted. When labor had to wait a little while for negotiations with their employers to come to amicable conclusions, they became impatient and struck. In this way, needed production to counteract all these scarcities was frustrated. It got to such a fine point that hundreds of automobiles could not run, because of the fact they were missing an ignition switch, a battery, or some other small part. Other cases in point were numerous.

As far as commodities are concerned, there has been much criticism of the government buying in the open market, people usually blaming parity prices for such support. This is a fallacy, since so-called "parity prices," in general, are substantially below current quotations. The government has been buying, however, for export to the starving millions of Europe and Asia. Against this we have no argument. On the other hand, greater discretion could have been exercised in the purchasing. When and if prices generally slide off, parity prices will do likewise, and in the same proportion.

Inventories after each war climbed precipitously. Whereas during the second war the problem of business was to get enough inventory to sell, it is now a problem of keeping it at a minimum. Relative to this phase, it seems that business is much more aware of the pitfalls in carrying excessive inventory now than after the first war. Yet the term "excessive" is relative. Although inventories are not high in relation to present sales, they could become excessive in any future decline in volume, the trend toward which has been going on for some few months. After World War I there was no past example of what to avoid. Psychologically, after this war, businessmen generally are cognizant of the dangers inherent in the situation. Most of them remember the trying times after the first war. Some of them have taken huge reserves against possible future declines, so that they are not too vulnerable. It seems that the public is again on a "buyers' strike," and retailers, wholesalers, and manufacturers do not want to be the first to reduce prices so long as the public needs their wares. On the one hand we have a tremendous demand for all types of merchandise, especially hard goods, and on the other a presumed inability to pay the prices prevailing at the present time. The identical reaction of the public to prices after World War I is now crystalizing. Yet we have in the spreading of the "Newburyport Affair" an indication that the public is very willing to buy when prices are reduced even as little as 10%. Other points of similarity, besides inventories, debt, scarcities, inflationary sprial, and strikes, are sales, prices, wages, failures, loans, shortages, and stock prices.

After World War I common stocks climbed steadily from December, 1918, until they reached their highs in November, 1919. Then they receded until August, 1921. From a high of 120 (Dow-Jones) they reached a low point of about 64. During the decline there were many short-lived rallies, but the trend was unmistakable. Meanwhile commodities had been rising, contrary to the trend of stock prices, right through April, 1920. Then they tumbled, and kept on going down for over a year. There was no cushion, and there was no stopping them.

On the other hand there are a few points of variance which should be analyzed. First the pattern of money rates is totally different now than then. Whereas rates were "free" after the first war, they are now rigidly controlled. There is no doubt in anyone's mind that money rates would be a great deal higher now if they were not controlled. The argument is not whether they would reach the unprecedented heights of the Autumn of 1919 (when call money went to 30%, and 60-90 day money went to 10%), but that they would be higher than they are. The Treasury believes that it must control rates rigidly, in order to be able to refund its obligations inexpensively, and so as not to burden the taxpayers with onerous fixed charges.

The foreign situation is now quite different than it was back in 1920. Whereas then the world was exceptionally tired of war, it seems that at present we have not stopped fighting, even though the guns are laid aside. If anything, this threat is inflationary. It is the considered opinion of many experts, however, that the threat of war will subside, since the only country in the world today capable of waging war is ourselves, and we will never start anything. It may be that others think we are so dead set against it that they can take advantage of us, as they have in the recent past. But it seems that this phase is passing and quieting down, owing to our firmer policy in foreign affairs.

Another point of difference is the present absence of so-called "margin accounts," whereas in the 1920's as little as 10% was accepted. Many will disagree with what is written here, but the point cannot be definitely proved one way or the other. If there had been margin accounts such as we knew them in the 1920's, all factors considered, the market would have reached a much higher level, and would have dropped so much more precipitately. As far as the argument that margins help to bolster the market, it is only true that this type of support comes in when prices have reached ridiculously low levels, and not before.

A point of divergence is the fact that we were at war for 19 months in World War I, and for 32 months in the last war. The total elapsed time of the first war was a little over four years, whereas the second war took almost six years to complete. During these wars we were making all those things for destruction armies and navies demand, neglecting the needs of the men and women who did not fight. During the first war this country did not suffer any privation at all. Buildings were built, factories were expanded, whether they were used for war or not, and it is estimated that only 25% of our total output went to the war effort. It is estimated that over 70% of our output went to the armed forces in the second war. Thus the accumulated needs of the world and ourselves are infinitely greater now than at any time in our history.

Recognizing a mistake is tantamount to curing it. Our businessmen and economists have been aware of the dangers of the post-war period, and have in no uncertain terms pointed these out. Business has been conscientiously doing everything to rectify their position.

The stock market has been receding since June of last year. It has dropped about 50 points from its high to its low. The bottom of the commodity market has not dropped out, but there is a wide differential between spot and future contracts. A typical example of this is wheat, where spot prices are about $2.65 a bushel, whereas wheat for December delivery is about $2.14. This indicates a considerable decline over the next eight months. The prices for in-between months indicate a gradual decline, and not the precipitious drop exp rienced in 1920. This is not to s that prices cannot go lower in maturities, but we believe t it presages a cushioned decline

It is true that the picture stocks does not conform to a we defined outline, but factors a never one-sided. When they h come so, the stock market h already discounted them to a ve large extent. Since the mark usually discounts business cond tions at least six, and sometim 9 and 12 months in advance, seems logical to us that the wo is now over, and we can look fo ward to more stable prices fr here on. Of course, there w most likely be an additional se ing wave or two when threaten weaknesses in our price structu become more apparent. But, feel, that this will be the opport nity to buy stocks. We say to b selected equities at that time b cause people are not usually qui enough to buy them when t market turns. It is practical impossible to get the top or t bottom. They are made by ve few shares. On the top, howeve there is large volume; on the bo tom the market dries up. Stoc have a way of bounding upwar very rapidly once the bottom ba has been firmly established. Th was exemplified only as recent as last Fall. Once the bottom w established at that time, it to very few shares to put the mark up 10 points. But from this poi on there is every possibility th business conditions can stabiliz and that stocks can rise, especial when one looks at the potential ties of certain equities whi seem to have at least two yea of good business ahead of ther There is no guarantee that the stocks will not go somewh lower, but, considering the long term outlook, there are excelle chances that they will be mu higher in the months to come. B investors must be selective—ve selective.

Directors of Ohio Investment Dealers

COLUMBUS, O.—E. M. Ba croft, Stranahan, Harris & C Inc., D. M. Craft, partner in Co lin. Norton & Co., both of Toled have been named directors the recently organized Investme Dealers of Ohio, Inc.

The organization will maintai offices in Columbus to infor members of new securities issue legislation and court decisions a fecting the investment industry.

Officers of the organization a Ewing T. Boles, The Ohio Com pany, President; Robert O. She ard, Hawley, Shepard & C Cleveland, Vice-President; Harr C. Vonderhaar, Westheimer & C Cincinnati, Vice-President; a Howard I. Fullerton, Fullerton Co., Inc., Columbus, Secretar Treasurer.

Redeem Puerto Rico Water Bonds

Puerto Rico Water Resourc Authority has called for redemp tion on July 1, 1947, $18,490,000 its electric revenue bonds date Jan. 1, 1944, numbered 1,511 20,000 inclusive, and $5,000,000 its electric revenue bonds serie 1945, dated Jan. 1, 1945, numbere 20,001 to 25,000 inclusive. Imme diate payment at the principa amount and accrued interest the redemption date plus pre miums of 4% for each 1944 bon and of 1% for each 1945 bond ma be obtained at Chemical Bank Trust Company, New York, or a Credito y Ahorro Ponceno, Puert Rico.

Observations

(Continued from page 5)

doubt, but no more relevant to her dollar shortage than is the Soviet citizenry's present consummation of the annual subscription of 20 billion rubles to their internal lottery-loan.

Greater Public Frankness Needed

It may not be appropriate in the case of Mexico, as is being suggested for other borrowing countries, for either us or the World Bank to accompany credits with close supervision and control over the expenditure of the money. Nor may it be in order to expect loans to *any* nation to be strictly self-liquidating, at least over the short-term. Nor may it be proper to apply any of the traditional creditor-debtor standards to our current or imminent international lending activities. But it would seem helpful in many phases of international relations, if at least foreign financing were reported to the public with realism. If it be deemed necessary to distribute moneys to strategic points in Europe as a matter of political emergency, let the act be frankly recognized as a "gift" and not disguised as a "loan." In the case of Mexico's and other Latin-American countries' financing by our Export-Import Bank, let it be understood that our motivation is our dire need for political friends in the present world crisis, and forego representations concerning the future fiscal results. Actually, the latter will undermine the former purpose; not only will abrogation of contractual obligations cause international misunderstanding, but the assumption of the debtor-creditor relationship *per se* creates an element of estrangement. Just as, in personal relations, the lending-borrowing act causes rifts among the best of friends, internationally we see that even Englishmen are actually and increasingly exhibiting animosity toward us for "forcing" them to accept a loan which they manage to profess neither to have wanted nor needed.

Political Friends Cannot Be Bought

This psychological quality of "defensive" belligerence by borrowers must not be overlooked in considering the multitudinous proposals for us to act as subsidiser throughout the world. Assuming that Mr. Wallace is sincere in urging our extension of more billions to Russia on the ground of *rapprochement*, he should realize that the effect might thus actually be to vitiate his appeasement aim. Perhaps Miss Barbara Ward, foreign editor of the "London Economist," is sound in telling us to send $10 billion abroad to restore the capital goods equipment of war-shattered Europe and Asia; but let no one dream that this is going to buy us any friends. And surely would this be less likely if our grant-in-aid be called "loan."

Several good tests of the reciprocal fiscal-political relationships are in the offing for us, at which times we will be deciding whether we are discarding the role of Uncle Santa for Uncle Shylock. It can be assumed that England, with her large trade deficit, her curtailed production through the five-day week, the July 15 restoration of sterling convertibility, with all overseas holders of sterling presumably rushing for dollars to compensate for their own deficits and to build up dollar reserves, will have to be rescued from fulfilling her obligations to us under the Loan Agreement. The guessing contest as to the exact timing of this represents only a detail of relative unimportance.

The "Renewal Showdown" With Britain

A communication from a British monetary authority just coming to hand pleads that the only way his country's present and future scarcity of dollars can be compensated for would be if the United States would both become a liberal willing buyer in world markets, and [sic] voluntarily join the sterling area. In any event when the show-down comes, the occurence of *default* in previous obligations will make acquiscence in new help all the more difficult to sell to the American man-in-the-street.

In the same way, a broader test will come when our gifts to the European countries run out. It is estimated by President Hoover and others that in 1948 our total gifts to Europe will not amount to more than one-half of last year's level.

The most important factor permanently affecting the world's general dollar shortage are the international trade policies of ourselves and other countries, and unfortunately recent events surrounding the Geneva Conference do not exactly warrant handsprings of optimism. Nor does the apparent trend of our domestic sentiment and policies seem to foreshadow the needed long-term relaxation of our trade barriers—witness for example the autarchic outburst of Senator Maybank opposing foreign loans which he feels bolster "the labor threat" from abroad; and the considered warning of Mr. Baruch that our synthetic rubber plants must be maintained to assure our independence from the Far Eastern supply. This outlook must be seen against the background of our 1946 trade-and-exchange position, wherein our exports of goods and services amounted to $15 billion, and our imports to only $7.1 billion, actually leaving an export surplus draining dollars to the extent of $8 billion.

In conclusion the writer wants to make clear that in the world's current crucial political crisis, he favors this country protecting itself with defensive economic measures, despite the cost, and pursuing Mr. Truman's Doctrine. The qualification is concerned with the form in which the monetary weapons are used, the obligations placed on the recipients, and the concept thereof which is given the American public.

* * * * *

Relevant to this column of last week charging the Administration with playing politics with taxes is the questioning of Secretary of the Treasury Snyder about this at his last Friday's press conference. "What is Mr. Knutson doing?" is reported as his rejoinder—apparently revealing a complete and disheartening lack of comprehension of the difference between the obligations of the chief of the United States Treasury and a professional politician!

Depression Fears Unwarranted

(Continued from page 5)

or late summer. Buyers' strikes, heavy inventories, industry's pricing responsibilities, large profits, labor demands, budgets and taxation are two-inch, front page headline news frightening in their implications and, therefore, devastating in the reaction upon the morale of the people. So much so that constructive action is hampered. In such an atmosphere it is difficult to estimate and correct the basic causes of surface eruptions. The proper emphasis is not given to hidden elements of security, bulwarks against the avalanche of ruin which some forecasters hear roaring down upon the people carrying varying degrees of injury for all.

No Parallel With 1920

To many, present conditions must only be considered as paralleling those of 1920. On this premise there must be a 1921, if not a 1929, somewhere in the future. It is inconceivable to others that the country could allow its spirits to again ebb to the level of this belief. The nation pulled up stakes and ran for the caves in 1929 when just such roars as are now being heard echoed through the land. Courage instead of ghost hunting would have reversed the trend then as it will in 1947-48. Even completely discounting the favorable condition of government bonds, private debt, savings accounts and money in circulation in the nation today, not to mention the world's needs now as compared to the late teens —forgetting all these plus factors would not justify a damaging recession in our economy. Only a recession of spirit can permit it to happen. Certainly a strengthening of spirit, a difficult process because of the contrary selling being done, will prevent it.

Must Defend American System

There is no clearer example of this defeatist attitude than the fact that it is found necessary to defend the American system at home and abroad. The fact this nation pulled the world through two wars in 30 years, financially and industrially, is evidently overlooked. Being the only solvent world power today, and in the process of underwriting and actively manning the rehabilitation of that world, is not considered as basic evidence for our system—rather an invitation for much of the world to take a shot at democracy. Until late years people have continuously come to this country to get away from their systems of government and to get a chance to carve out their own destinies. They are now coming to tell us how good those same systems are and to ask us to adopt them. Some among us, who sponsor the cause of those foreign systems, are good sounding boards for their doctrines here as well as abroad. Such go lecturing to those people on the fallacies of America and her leaders. Naturally, many abroad are susceptible to such preachments. Being stripped to the bone, it is something of a consolation to find that a land they regarded as so fortunate could be in such danger of going to pieces. Thus they draw away from us if not actually lining up against us.

If her people get the facts, America will be too shrewd, too sensible to come up with the wrong answer on collectivism under any name. Such systems are moon-bayings ar far as material worth or spiritual benefit to man is concerned. They can not match ours in a single department. There is nothing new in or to them. Their leading exponent cannot even put her stolen machine tools into successful operation because of the poor management that always characterizes such governments. For the same reason poverty and some hunger stalk her lands in spite of lend-lease equipment and materials forwarded to offset such conditions. America has no need for such a system. She has one that has taken her on the fastest run of accomplishment in the world's history. It may need a new bearing here and there or some other slight overhauling but it is still the best government ever conceived by man. Recent history strengthens that fact.

When the people stop listening to the rattles, mechanical and vocal, and get to their causes, the jitters of the day will give way to hard thinking and constructive action. Laws and policies of expediency will be superseded by those based upon facts. Modern man is not as brilliant as he pretends. His spontaneous and "crisis" judgment is, therefore, not good nor conducive to the continued smooth performance of the democracy to which he belongs; Amercia needs to revalue her tap roots and then take the offensive. She is entitled on her record to do so. A defensive role does not befit her or belong to her. Neither is such an attitude good for one world no matter what the boundaries. Reducing America to the political status of other world powers would mean the end of hope for all mankind everywhere. She can not continue to back up under appeasement's press or because of false conceptions of free speech. To do so will hasten the destruction of those things she seeks to save. There will then be no consolation in measuring the extent of the losses or in nursing regrets.

To be sure, there are many underlying economic causes for the distorted condition in the nation. The chief ones lie deeper than wages, prices, production or controls. Because such are not obvious they are often overlooked, particularly by the average citizens, which are most of us. The correction is not too difficult. The will to correct is something else. Both can only be superficially discussed here.

Taxation, Cause of Economic Distortion

One of these underlying causes, it seems to me, is taxation. The basic question cannot be whether to have more or less taxation. The purpose for which the tax is levied and what the money will accomplish for the nation when spent for that purpose is the important thing. Taxation of any successful individual or business to provide for the unsuccessful is a basic plank in the platform of the advocates of an alteration of our way of life; that is natural, because that practice will destroy it. It is a two-edged knife of annihilation because it destroys ambition in one and encourages indigence in the other. The answer is all indigence, all wards of the State, which by the process has been deprived of its milk for succor. That is what Alexander Dumas was warning against when he wrote long ago, "If we are to submit absolutely to the level of equality, we had better choose the level of nobility. I like equality that elevates and not that which lowers mankind." Taxing the automobile business at the beginning of the century to keep the buggy and wagon plants going would have been today's theories in operation then, stopping the progress and development of the nation. When taxation is for the essential functions of government only, without the extras, democracy will be relieved of its spasms.

Another is money manipulation; selling bonds, printing money, taxing it and spending it. Such processes push the money supply ahead of the merchandise it can buy. We have reached that stage here. With a money supply now of $163.2 billion, highest in our history by almost $100 billion, it is past time to stop the printing presses and start paying the debt. That illustrious son of the South, the late O. Max Gardner, cried out against this practice. "Three words," said he, "taxes, borrowing and spending, stand as silent monuments to mark the fall and decline of character, credit and governmental stability in every hamlet, city and State throughout the length and breadth of this nation."

Labor Monopoly

A third is monopoly of labor which forces laborers out of their jobs at the whim of an industry-wide union czar. Why do the workers strike when the call goes out from headquarters? Because they know they can not work again if they do not. Why can not apprentices get started in many trades? Because competition in labor is not welcomed by the oldsters. These conditions stifle progress and therefore destroy jobs. It is the steel band of an organized minority, forged in the furnace of greed for power and tempered in the laws written primarily in the same spirit. The freeing of labor and the holding of its despoilers, within and without, to strict accountability is the third of the fundamental economic adjustments required to relieve the nation of its present nausea. The "closed shop," and the same thing by another name, the "union shop" (crucifiers of human liberties) and the right of promiscuous striking must be weighed in that light and not the light of who loves or hates labor or industry.

Laws alone will not suffice. Our Congress has been much concerned about a labor law. "Tough" and "wild" are the two types mentioned. No labor law alone can solves this problem any more than prohibition and controls solved those problems. England has laws forbidding strikes against the government, laws against secondary strikes and boycotts, against wildcat strikes and mass picketing, against political contributions by unions, and laws requiring financial reports by unions. What did these do for England? The will of the people, not law, is the remedy. There is no one here who does not know what that will is in labor matters as well as the other two needed basic corrections. Probably the people have not expressed that will strongly enough to secure proper conduct. They will, and action will come, but probably not until the plums of '48 have been gathered and that could be a bit late.

New York Stock Exchange Weekly Firm Changes

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

Ludwig Bendix retired from partnership in Bendix, Luitweiler & Co. on May 1.

John H. Whelen, Jr., retired from partnership in Carstairs & Co. on April 30.

Elbert J. Evans withdrew from partnership in Eastman, Dillon & Co. on April 20.

Dorothy B. Winmill retired from limited partnership in Gude, Winmill & Co. on April 30.

Harvey L. Burton withdrew from partnership in Jenks, Kirkland & Co. on April 30.

Franklin B. Evans, general partner in Paul H. Davis & Co., became a limited partner, effective April 1.

Transfer of the Exchange membership of Philip G. Volpe to S. R. Arias will be considered by the Exchange on May 15.

Transfer of the Exchange membership of Frederick R. Tuerk to Walter W. Cruttenden will be considered by the Exchange on May 15.

Commerce vs. Communism

(Continued from page 10)

stinks, or hungers or thirsts or bleeds anywhere.

What shall we say of this astonishing and melancholy state of affairs, in which the men of every nation point the finger of judgment at their neighbors? I think one thing we can say is that the Devil has a very big bag of tricks. (You will see at once, that I intend to blame things largely, though not exclusively, on the Devil.)

"The Devil's Cleverest Trick"

Baudelaire, the French poet of the 19th Century, said, "It is the Devil's cleverest trick to convince us he does not exist." And this was the trick he practiced all during the last century, with what ghastly success our own suffering century now shows. In the 19th Century, the majority of "rational" men had come to the happy conclusion there was no such thing as a force of evil. There was only "blind nature," which presently would be overcome by clear-eyed science — science the master of inexorable progress, the God of the approaching millenium. All that man called evil would presently yield to benevolent science; poverty, disease, unsound economics, poor communications, the lack of recreational, educational and plumbing facilities. And perhaps certain pituitary and other glandular deficiencies The worst of these — old age — might even be remedied by the grafting of monkey glands. Who knew? Man, who had swung down from the trees as an ape, might soon swing up to the stars as a God — with a liberal injection of his simian forebear's gonads! Science was the 19th Century religion of mass salvation.

But science is neither good nor evil in itself. Science is simply a tool, or a technique, to be used by man for good or evil. This we found out when we saw how Hitler used it. He built great roads, hospitals, schools, maternity centers. He eradicated slums. He bred literate children, plumped up with vitamins. His chemical, physical, medical laboratories were the busiest in all Europe. With appiled science, Hitler plunged the 19th Century world, which believed in inevitable progress, into chaos and barbarity. Then once again, as so often happens in history, the world was confronted by the visible existence of the power of evil, which can come to capture and control all things thought, or invented, by man—including science.

Let us note again, in passing, that in order to unleash his fury on the world, Hitler had first to destroy—by scientific methods!—any allegiance to any Higher Authority than that of the State in the minds and hearts of the German people—and their scientists. He had first to persuade or seduce, or condition or breed out of them, the notion that they were personally responsible to their consciences, before God, for every day's actions. Then we witnessed under Hitler, in an age of science, such monstrous crimes against human flesh and spirit as would have made Caligula and Genghis Kahn pale.

By the time the holocaust of Hitlerism had spread upon the earth, the Devil could no longer remain incognito. Discovered, he played his trump card. He convinced us that Hitler himself was the Devil. Not mind you, the Devil's puppet, which Hitler certainly was, but his Satanic Majesty, in person! In short, the Devil's smoothest trick was to convince us that the force of evil was—the **other fellow's leader!**

Then—we finished off Hitler. Whereupon, shame, cruelty, greed, and corruption still stalked the world. That might have been a bad moment for old Scratch, if he had not had Stalin handy to fill Hitler's place in the minds of the majority of the world's democrats, and possibly in the minds of the majority of the members of the Chamber of Commerce.

Recipe for Chaos

At any rate, with Communism on the rise, and Democracy on the defense, the spirit of evil has at long last surely concocted the perfect recipe for chaos: the world is divided in two, and each half thinks the other half is the Devil. For capitalism, all the forces of error are now more and more personified in Communism and its leaders. For Communism, the forces of evil have long been personified in capitalism and its leaders. And should each decide to demand louder and louder, as the only price of peace and truth, the destruction of the other, this could lead to only one result; mutual extermination. Atomic destruction. The obliteration of man.

What, then, is the answer? Surely one of the answers is for us to begin by admitting the fact that the Devil helps us to conceal from ourselves: that some of the blame for the present world mess can be laid at the door of America, and faulty — no evil — American policies.

For example, does any of us say that Stalin is a murderer? That his hands are red with blood of thousands upon thousands of his own countrymen? Shall we say that the rosy stain on the hands of some American statemen is just the red ink which diplomats must use in balancing the economic books of war? But it isn't. That, too, is blood: the blood of the Poles, and Central Europeans, and Koreans that **we** sold out to Stalin when we dishonored the Atlantic Charter. Do we abhor and fear Stalin's victories abroad? Let us remember to say then that Stalin's victories were not achieved in spite of all we are and do—but in spite of what we have failed to do and be.

At this point, I am constrained to ask you very frankly if you do not think I sound very much like Mr. Henry Wallace? For this is precisely what **he** has been saying in Europe. Wherefore he has become the scorn of many men who call themselves "100% Americans." But have Mr. Wallace and I really said the same thing; do we share the same attitude in this matter?

May we hold a consideration of that question in abeyance for a moment while we review a little Congressional history?

A little over four years ago, a newly-elected Member of the House of Representatives — myself—rose to make a speech about the need to plan then—even in the midst of a World War—for a vigorous American peacetime civilian air policy. The policy advocated by that inexperienced Member, although bitterly attacked from all sides at the time, has since been adopted by this Government. What had then prompted the Congressman to advocate this now-accepted policy was the projected plan of Mr. Henry Walace — a powerful Roosevelt cabinet member — to internationalize all American airports and throw them open to the planes of every other nation on a wholly free trade basis. Today, this idea would seem idiotic if for no other reason than that the Russians have for four years, as predicted by that Congressman, refused to drop the Iron Curtain in any sphere of world trade cooperation. But then it was being seriously considered. In that speech—and now I quote accurately — the Congressman, attacking specifically these air-policies of Mr. Wallace, said:

Wallace's Warp of Sense and Woof of Nonsense

"I am a great admirer of some of Mr. Henry Wallace's ideas" such as feeding Europeans and helping to rehabilitate the wartorn world. But—"Mr. Wallace's warp of sense and woof of nonsense is very cloth out of which to cut the pattern of a postwar world. He has a wholly disarming way of being intermittently inspiring and spasmodically sound, and (says) much that all men of good will must agree to. But much of what Mr. Wallace calls his global thinking, is, no matter how you slice it, still globaloney."

Today I tell you that the "globaloney" of our times is the insistence by any nation that **all** error, all blame, and all responsibility for failure rests exclusively in anyone capitol or economic system. And I repeat, this is—or seems to be — exactly what Mr. Walace is saying. Or is it? Or is Mr. Wallace saying something else which makes his utterances so distasteful to many men of goodwill and honest purpose? Well, it is **not** that he accuses his own nation of faults and sins. A patriot is frequently commanded to do so by his patriotism; and Wallace serves us wonderfully well to point out our faults. It is not that in accusing America of so much, he seems to excuse Russia of so much worse; that in making a great deal of the crimes of imperialist leaders he makes nothing at all of the bloodsoaked hands of Stalin. When we have reviewed —honestly—our own crimes, we are in much better shape to combat worse ones, in others. What is is then, that repells us in the **personal** attitude of Mr. Wallace? Is it not this: that while he blames all other **living statesmen**, he loudly professes the impeccability of his own political record, and the pristine purity of his own personal motives? Is our real resentment not born of his prideful insistence that complacency, greed, inertia, indifference, compromise, selfishness, ambition — evil—are harbored in every political heart but the heart of Henry Wallace? Is it not, in short, his failure to take **any** personal responsibility for the mistakes of the past, the very core of what we dislike most in his utterances?

But—is it not **precisely** this lack of personal humility, of self-criticism, that makes Wallace, for all his excellent criticism of others, the very tragic symbol of our times? Which makes him, even while he says some true and useful things, still the Devil's advocate?

If it is: then let us remember, when we see him, many of us are seeing ourselves, as it were, in a mirror . . . blaming everything on the **other fellow**, and finding excuses for none, save those who are at that moment, agreeing with us.

Blame for Everyone

For example, at home: the government blames business for all failures of domestic policy. Business blames labor and government. Labor blames government and business. The people—failing to see they **are** all three—blame all three. Look or ask where you will, no individual, group, organization, or party but calls another largely culpable—and, therefore, responsible—for the many failures which on all fronts devour our hopes of peace and our faith in prosperity. And few will take peronal responsibility.

Today we see many of our statesmen refusing to "stick their necks out," fearful of personal consequences, if they whisper in public what they bellow in private about countless matters. They are afraid to inform public opinion, until public opinion is "formed." They consult the Gallop Poll as once the Roman Senators consulted the entrails of geese.

We see the American citizen clamoring that his nation "halt the spread of Communism" and yet refusing to pay for either armaments, or foreign loans, or relief shipments out of his own pocket. We see him demanding in one and the same breath that the government balance its budget, cut taxes, and increase in a wide variety of fields, his own handouts from the public treasury.

But also, we hear the mournful holler of the American businessman that he can't do anything until government gets out of business, rythmically drowned out by the holler that he can't do anything until the government gets into business to control the unions, etc., etc., etc. Above all, we hear the average businessman deplore the loss of self reliance in the average American, and his unwillingness to take any risks.

This is the question to ask of yourselves today: which of you is self-reliant; who among you will take risks today without waiting to see what happens to his neighbor?

Who says here, it may be that I, the person, am at the very bottom of all this: I have done wrong. I will act to do right. I will risk. I will begin to establish a chain reaction of self-criticism and self-reliance in my group. Does no one say it? Are we then mass-minded men, totalitarian hearted like our enemies, trembling puppets of an all powerful State? Men who dare not take the risk of doing what they believe to be sound, just, merciful, right? It this then the Devil's terrible trick: to make us become like the thing we claim to despise?

Now here you are, generally supposed to be a most powerful group of businessmen. What power do you really have to save yourselves, or our nation, from Communism or catastrophe? As an original group, very little. For as an organized group all you probably will ever be able to agree upon is to pass a resolution that somebody else has done wrong; somebody else has to mend his ways, or act first, before your group can "take effective democratic action." But as persons — John and Jim and Joe and Bob and Herbert—you are all powerful.

If each man here took the risk tomorrow to increase production, or cut prices, or raise wages — whatever your conscience tells you—you would be doing the one thing you could do to defeat Communism: accepting personal responsibility to avoid that American depression which you know and I know is the one temporal circumstance that must make world-wide Communism inevitable.

How do you begin accepting personal responsibility? You begin by kicking the one who tells you that you don't need to, or you can't, square in the teeth: that's the Devil. And, in case I forgot to mention his precise locus up to now—it is not only Moscow and Berlin and London and Washington. It's right in the chair, not next to you—but with you. And right here, on this platform, prompting me, as he so often does, to some uncharitable or prideful utterance.

For example, I am a retired politician. And yet I dragged in by the heels an example of my own political astuteness in the matter of our air policy — as though it mattered. And I succumbed to the temptation to berate Henry Wallace before the Chamber of Commerce, which is on all points and at all times completely prepared to condemn him. Yes, the Devil is not only everywhere, he was here, imbuing me, even as I attacked him, with the very same devilishly messianic windbag spirit that afflicts poor Henry Wallace.

And now to answer the question: how can the members of the Chamber of Commerce help to reverse the present global trend towards identifying the Devil as the other fellow—a trend which must result in atomic war and unspeakable desolation. It is very simple. But it is not easy. We can reverse it when we begin to hold ourselves as **persons** responsible for it. And as we, as persons, take action every day, cost what it may at the hands of State or Society, according to the dictates of our personal conscience. A sense of one's neighbor, of personal responsibility, and of liberty is the three-in-one sense without which freedom must perish.

In the final analysis, there is no other solution to a man's problems, even in the year 1947, but the day's honest work, the day's honest decisions, the day's generous utterance, and the day's good deed.

We are Americans. We think we are different from the Communists. In what does our difference lie? Only in this: We are each of us still free to do what our conscience dictates to us, and what is suggested to our minds and hearts by courage and charity. Let us do it.

Britain's Worries On Convertibility

(Continued from page 9)

countries with an export surplus to Britain will take advantage of the convertibility of sterling, countries with an import surplus from Britain will maintain the inconvertibility of their currency. Thus while Italy will convert her export surplus to Britain the proceeds of British export surplus to France will remain frozen.

What is worse, even if in theory the principle of reciprocity will be applied, it does not necessarily work out in practice. It is conceivable, and even probable, that many countries will cheerfully collect their dollars from the British Treasury so long as their trade balance with Britain is favorable, but will be unable to convert into dollars the British holdings of their currency if and when the trade balance terms are unfavorable. Even though they may have agreed to reciprocity, they may not have the dollars to honor their undertaking. From a British point of view the arrangement may well be a case of "heads you win, tails you won't lose."

Nor is the provision that sterling will only be convertible for current trade requirements of very much practical value. All soft currency countries are short of dollars (otherwise their currencies would not be soft) and are able to claim conversion for genuine trade requirements.

There seems to be little doubt that after July 15 the drain on the British dollar reserve will become accentuated, since in addition to satisfying its own requirements Britain will have to satisfy the requirements of many other countries. Judging by the pace at which the proceeds of the dollar loan are drawn upon, this may well mean that those proceeds will be exhausted even sooner than it has come to be expected on the basis of the deterioration of conditions in Britain through the fuel crisis.

Walston, Hoffman Adds

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF. — Kenneth C. Koch and Victor Lattanner, Jr., have joined the staff of Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Rally about over. Recent lows now become doubly important. Advise against buying until these are tested.

Last week, or Monday night to be exact, when I sat down to type out the deathless words which would either make or break you, all the signs I was taught to look for, appeared on the tape. At least they appeared on the few hundred feet I brought home with me. Incidentally my kids were sure I was going to have a party. Why else, they argued, was I bringing "streamers" home? I tried to explain that I wasn't planning any party. The little figures on the streamer, I explained patiently, were the signs I intended studying; that they represented millions of dollars and showed buying and selling of thousands of securities. They looked skeptically at me and sadly agreed I was sick. Because only a sick man or crazy one, would give that sort of an explanation.

* * *

My daughter being smaller than me just looked lugubriously. My son who is now taller than his old man, and a little braver, gave voice to his doubts. Their mother had to come in and shoo them out of the room. In glancing back she too muttered something about lunatics.

So it goes. "A prophet is without honor. . . ."

* * *

But to get back to the market. This writing a weekly column often has its compensations. Just as often it has its drawbacks. There is nothing so maddening as to be right and not to be able to do anything about it. When I wrote last week's opus I recommended buying because I thought the market was headed higher. By the following day it was clearer that the next move would be up. On Wednesday this was apparent to anybody. That day the market started up and stayed up. On the following day, Thursday, the column appeared. For all the good it did then it might have as well been a comic strip of Superman.

* * *

Every stock recommended at a specific price had moved ahead for one reason or another. In one case it was a new kind of split (Chrysler's 100% stock dividend). But whatever the reason not a single stock recommended was available at the price given. So this leaves me with a handful of I-told-you-sos and nothing else.

* * *

The question now comes up of what now. First of all I don't believe in chasing stocks. If this market intends to really go up from here we'll have time to buy other stocks. Maybe you won't get them at the bottom eighth. In fact it was never intended that you do. If by some stroke of luck you ever do buy them on the extreme low, count it up to luck, not genius.

* * *

It would be cozy to be long of them at last week's lows. In fact if you were I would now seriously consider advising selling, or at least protecting your profits. Feeling that way the assumption is that I now feel a reaction is in the making. And you are right.

* * *

The conditions which brought about the break have not changed. In fact some of these conditions seem tenser than ever. A settlement of the phone strike, the signing of union pacts by the steel and motor companies, the granting of loans to Greece and Turkey, all these are bound to have an impact on the market which will be more far reaching than we now envision. What we see in the news today is the result of certain events, not the causes behind them or where they may lead us to. A nice juicy rally, based largely on short covering, cannot change the major picture. It is because I feel this way that I would advise profit taking today, had we anything in which to take profits. Not having any position my advice is to hold up new buying, unless or until the stocks recommended last week get down to prices mentioned then. Of course the stops are to remain in effect.

* * *

In case you missed last week's column the list was as follows: Buy Anaconda at 35, stop 34; Chrysler 85, stop 83; International Paper 39-40, stop 38 and U. S. Steel 65-66, stop 64.

* * *

J. W. Philadelphia: Only book, or articles, about the stock market, I ever read and thought were worth anything were "Unorthodox Investment" by Gerald M. Loeb. They originally appeared as articles in "Barron's Financial Weekly." They have since been incorporated into a book. Loeb is a partner in E. F. Hutton & Co.

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.]

International Chamber Wins Recognition of UN

(Continued from page 11)

be followed by such specialized agencies of the Economic and Social Council as the Food and Agriculture Organization, the International Monetary Fund, the International Bank for Reconstruction and Development and the proposed International Trade Organization. Each will define the form of consultation which it approves and each will, I am sure, look to the International Chamber for advice and assistance.

The importance of the opportunity which is thus presented not only to associations of commerce, trade and finance but also to individual business men to have a voice in the formulation of international economic policy is impossible to exaggerate. Never before has this opportunity been offered and, as I indicated on my trip through South America, it is essential that the business men of every nation immediately organize themselves in such a way that they can avail themselves of this great privilege. The business men of the United States are so organized in the United States Associates, which, through its numerous working committees, has done work of an outstanding character in studying international problems of the deepest concern to the business community and in promoting the aims and objectives of the International Chamber.

The International Chamber is better able than any other organization of business men to express world business opinion.

It was established shortly after the close of the first World War in consequence of a deeply rooted conviction that a world business organization was needed to help solve the complicated economic and political problems resulting from that conflict. During the inter-war period, it had extensive experience with many of the problems falling within the province of the Economic and Social Council and brings to its new status a wealth of experience and knowledge.

In full recognition of the honor accorded, the International Chamber has established a liaison office in New York City, the headquarters of the Economic and Social Council. The liaison office is under the direction of an Assistant Secretary General of the International Chamber and an international staff has been assembled. The Assistant Secretary General has been active in establishing cordial relations with the Economic and Social Council and in placing the point of view of the International Chamber before that body.

International Trade Conference

Not only has the International Chamber been granted the privilege of presenting its point of view to the Economic and Social Council but it likewise has been given the opportunity of being represented at the International Trade Conference which is now meeting in Geneva, Switzerland. This conference, called by the Economic and Social Council, promises to be decisive in determining whether the nations represented are willing to reduce trade barriers, to follow multilateral as opposed to bilateral practices in trade, and are willing to establish economic unity among the free peoples of the world.

The Geneva Conference will concern itself with the final drafting of the Charter of the International Trade Organization and with the implementing of the basic principles of that Charter through detailed tariff negotiations.

The International Chamber has taken the position that it is essential for friends of multilateral trade to give vigorous support to the objectives of this Conference so that each nation will stand ready to make the trade concessions necessary to expand world trade and to support the whole structure of international peace.

Postulates on World Trade Charter

The International Chamber has prepared an exhaustive analysis and commentary of the proposed charter of the International Trade Organization, which has been submitted to the Geneva Conference and has made a profound impression among the delegates.

This report, which was the combined effort of working committees of business men in 30 nations of the world is based on three fundamental postulates. First, higher living standards for all peoples can be obtained only if there is a considerable expansion in international trade. Second, this expansion in international trade is possible only if the international movement of goods and capital is allowed to develop on a multilateral basis. Third, the full expansion of international trade can be achieved only if the widest possible scope is given to the private enterprise system.

The International Chamber is convinced that the objectives of the Geneva Conference can be achieved only within the framework of the private enterprise system. Hence, in its report, the International Chamber gave emphasis to the need for developing a code of fair treatment for private foreign investments so that the capital needs of the world would be met to the maximum extent possible by private credits and private business enterprise. It also gave emphasis to the danger of wartime controls being perpetuated in the guise of escape clauses in the proposed charter of the International Trade Organization.

The International Chamber is convinced that once trade barriers are reduced and domestic controls lifted, the dynamic forces of a competitive system will be released and higher living standards will be assured in all non-totalitarian societies.

Latin-America

I have just returned from a trip during which I visited Cuba and the principal countries of South America. This trip was made for the purpose of explaining to the Chambers of Commerce and individual business men of the countries visited the new status of the International Chamber of Commerce as a consultative body of the Economic and Social Council of the United Nations, and to urge upon them the desirability of their forming sections of the International Chamber of Commerce in their respective countries.

In talking to these groups I took particular pains to emphasize the fact that there is no conflict between the International Chamber of Commerce and any existing regional group such as the Inter-American Council of Commerce and Production; that the International Chamber of Commerce is the only organization of its kind which can represent the opinion of the business men of the entire world before the Economic and Social Council, but that this does not in any manner affect the usefulness of such regional groups in connection with the purposes for which they were formed. This fact is now thoroughly understood and recognized by everyone concerned.

I am glad to be able to report that sections of the International Chamber of Commerce are now in the course of formation in Cuba, Argentina, Chile and Uruguay, and the existing sections of the International Chamber of Commerce in Brazil and Peru are being reactivated. I believe that additional sections will shortly be formed in Panama and Venezuela and in other countries of South and Central America. You will remember that an active section already exists in Mexico and in Canada.

In my judgment the International Chamber of Commerce as now organized, and with the recognition which has been accorded it by the Economic and Social Council of the United Nations, is in a position to make a most important contribution to the work of the Economic and Social Council and its specialized agencies, and I believe that through the International Chamber of Commerce the business men of the world will be able to take an active part in the formulation by the governments of the United Nations of policies which will have a profound effect on the economic and social life of every nation on earth for generations to come.

World Bank Reports March 31 Condition

WASHINGTON, May 7 (Special to the "Chronicle")—The World Bank has just published its balance sheet and profit and loss statement as of March 31. Expenses for the nine months ended March 31 exceeded the income by $680,177. The assets included United States certificates of indebtedness and accrued interest totaling approximately $148,000,000. The interest on investments totaled about $598,000, gross expenses were about $1,278,000, principally for salaries, income taxes on salaries, and for travel.

Now With Schwabacher Co.

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF.—William W. Hayward is now with Schwabacher & Co., 600 Market Street, members of the New York and San Francisco Stock Exchanges.

Joins Stone & Youngberg

Special to THE FINANCIAL CHRONICLE

SAN FRANCISCO, CALIF.—Stone & Youngberg, Russ Building, members of the San Francisco Stock Exchanges, have added Harold A. Boyle to their staff.

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.

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 Coach & Body Co., Cleveland, Ohio

April 21 (letter of notification) 20,000 shares ($5 par) common. **Price**—$12 a share. Offered for subscription to shareholders. Rights expire May 16. No underwriting. To refund current bank indebteness.

American Hydraulics, Inc., Sheyboygan, Wis. (5/16)

April 2 (letter of notification) 50,000 shares of common. **Offering**—Offered to stockholders of record April 15 in ratio of one new for each five shares held, at $5.50 per share. Rights expire May 15. **Underwriter**—Heronymus & Co., Sheboygan, Wis., and Lon L. Grier & Co., Milwaukee, Wis. For new machinery and for working capital.

American Iron & Machine Works Co., Oklahoma City, Okla.

Feb. 24, filed $1,000,000 of 4% sinking fund debentures, due 1967; 25,000 shares (no par) $1.10 cumulative preferred and 60,000 shares (no par) common. **Underwriters**—Rauscher, Pierce & Co., Inc., Dallas, and Milton R. Underwood & Co., Houston, Texas. **Price**—Debentures: 100; preferred $20 per share and common $10 per share. **Proceeds**—To pay $712,500 balance on a bank loan, retirement of $350,000 promissory notes, and provide working capital.

American Machinery Corp., Orlando, Fla.

Mar. 31 filed 133,000 shares (50c par) common, of which 10,000 will be offered to officers and key employees. **Underwriter**—Townsend, Graff & Co. and Gearhart & Co., Inc. **Price**—$3.50 per share. **Proceeds**—For general corporate purposes including reduction of bank loans and outstanding notes.

• American Trustee Share Corp., New York

May 2 filed 1,000,000 shares of Diversified Trustee Shares, Series E. **Underwriting**—American Trustee Share Corp., New York. **Price**—Based on market price. **Proceeds**—For investment. **Business**—Investment business.

American Water Works Co., Inc., N. Y.

March 30, 1946 filed 2,343,105 shs. 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. **Bids**—Expected about April 30.

American Zinc, Lead & Smelting Co., St. Louis

Sept. 6 filed 336,550 shares common stock (par $1). **Underwriting**—No underwriting. **Offering**—Stock will be offered for subscription to common stockholders in the ratio of one additional share for each two shares held. Unsubscribed shares will be offered for subscription to officers and directors of the company. **Price**—By amendment. **Proceeds**—Working capital. Offering indefinitely postponed.

Arkansas Western Gas Co.

June 5 filed 16,197 shares of common stock (par $5). **Underwriters**—Rauscher, Pierce & Co. Inc., and E. H. Rollins & Sons Inc. **Offering**—Stock will be offered to the public. Price by amendment. Shares are being sold by six stockholders.

Armour and Co., Chicago

July 12 filed 350,000 shares (no par) cumulative first preference stock, Series A; 300,000 shares of convertible second preference stock, Series A, and 1,355,240 shares common stock (par $5). **Underwriting**—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.

• Associated American Artists, Inc., New York

April 25 (letter of notification) 650 shares ($100 par) 6% cumulative preferred and 650 shares (10c par) common. **Price**—$100 a preferred share and 10 cents a common share. Reeves Lewenthal, President, has agreed to purchase any unsubscribed shares of the stock. To finance erection of art gallery in Beverly Hills, Calif.

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. **Bids**—American Gas & Electric Co. invited bids April 15, at 30 Church Street, New York, for the purchase of 522,416 common shares, but the sale has been postponed.

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.

Beauty Counselors, Inc., Detroit, Mich.

April 24, (letter of notification) 27,000 shares ($10 par) 5% cumulative convertible preferred. **Price**—$10 a share. **Underwriter**—Campbell, McCarty & Co., Detroit. For operation of business.

• Beech Aircraft Corp., Wichita, Kan.

May 2 filed $2,000,000 of 4½% convertible sinking fund debentures (subordinated), due 1957. **Underwriter**—Blair & Co., Inc., New York. Price by amendment. **Proceeds**—To be added to working capital and used to finance airplane production program. **Business**—Manufacture of airplanes.

Benrus Watch Co., Inc., New York

April 24 filed 150,000 shares ($1 par) common. **Underwriter**—Hayden, Stone & Co., New York. Price by amendment. **Proceeds**—The shares are being sold by five officers of the company who will receive proceeds.

Berbiglia, Inc., Kansas City, Mo.

Sept. 12 (letter of notification) 41,000 shares of 5% cumulative convertible $6 par preferred. Offering price $6 a share. **Underwriter**—Estes, Snyder & Co., Topeka, Kans. To pay outstanding indebtedness and expenses and to open five additional stores in Kansas City, Mo. Offering postponed indefinitely.

Berkey & Gay Furniture Co., Grand Rapids, Mich.

Feb. 3 filed 733,575 shares ($1 par) capital stock. **Underwriting**—None. **Offering**—Company said all of the shares are issued and outstanding. The purpose of the registration statement is to enable holders to effect sales by use of the prospectus.

Berkey & Gay said the shares had been sold in 1944 and 1945 to a group of about 50 persons who represented they were purchasing the shares for investment and not for distribution.

So far, 231,204 shares have been sold in the open market and the Commission had raised the question as to whether such sales had the effect of making the entire offering public. The Commission staff stated that registration is required if any of the remaining 733,575 shares are to be sold. **Price**—At market. **Proceeds**—Go to selling stockholders.

Blumenthal (Sidney) & Co. Inc., New York

Aug. 30 filed 119,706 shares (no par) common and subscription warrants relating to 30,000 shares thereof. **Underwriting** — None. **Proceeds** — For reimbursement of company's treasury for funds expended in redemption of 3,907 shares of 7% cumulative preferred on April 1, and for funds deposited in trust for redemption on Oct. 1 of remaining preferred shares. Although it was proposed to offer the stock for subscription to stockholders at $10 per share, company on Sept. 20 decided to withould 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 Fund of Boston, Inc., Boston, Mass.

May 2 filed 980,000 shares of capital stock. **Underwriter**—Vance, Sanders & Co., Boston. Price based on market price. Proceeds for investment. **Business**—Investment business.

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, Philadelphia (5/12-15)

Sept. 27 filed 268,875 shares ($1 par) common. **Underwriter**—Van Alstyne, Noel & Co., New York. **Price**—$7.125 per share. **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, es-

(Continued on page 50)

NEW ISSUE CALENDAR

(Showing probable date of offering)

May 9, 1947

Neville Island Glass Co Inc ---- Common

May 12, 1947

Bowman Gum ---- Common
Curlee Clothing Co. ---- Preferred
Grill Drug & Chemical Co. ---- Common

May 13, 1947

Brooklyn Express Publishing Corp. ---- Common
Southern California Water Co., 11 a.m. ---- Bonds
Southern Pacific Co., Noon (EDT) ---- Equip. Tr. Ctfs.

May 14, 1947

Grammes (L. F.) & Sons Inc. ---- Preferred

May 15, 1947

Consolidated Gas Electric Light & Power Co., Baltimore ---- Debentures
Garden States Canning Co. ---- Preferred

May 16, 1947

American Hydraulics, Inc. ---- Common

May 20, 1947

Missouri Pacific RR., Noon (EDT) ---- Equip. Tr. Ctfs.
Ohio-Apex Inc. ---- Common

May 21, 1947

Lithium Corp. ---- Common

May 26, 1947

Lay (H. W.) & Co., Inc. ---- Pfd. and Com.

June 2, 1947

Libby, McNeill & Libby ---- Preferred

(Continued from page 49)

timated at $147,500, will be used to prepay to the extent possible outstanding $149,300 mortgage liabilities. Offering date indefinite.

Brayton Flying Service, Inc., Robertson, Mo.
March 24 (letter of notification) 50,000 shares ($1 par) 27½ cent cumulative, convertible preferred and 50,000 shares (10c par) common. **Price**—$5 per unit, consisting of one share of each. **Underwriter**—White and Co., St. Louis, Mo. For expansion of operating facilities and for working capital.

● **Brooklyn (N. Y.) Express Publishing Corp. (5/13)**
May 6 (letter of notification) 336 shares ($100 par) common stock of which 56 shares will be issued to organizers. **Price**—$100 per share. Underwriting, none. Publication of weekly newspaper.

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.

● **Calasia Air Transport, San Francisco**
April 30 (letter of notification) 275,000 shares ($1 par) common. **Price**—$1 a share. The company has made an agreement with Philip P. Walter, Los Angeles, whereby the latter has agreed to use his best efforts in distributing the stock. For conversion and licensing of five C-54D type aircraft.

● **California Electric Power Co., Riverside, Calif.**
May 5 filed 80,000 shares ($50 par) preferred stock. **Underwriting**—To be determined by competive bidding. Probable bidders include Dean Witter & Co.; Blyth & Co., Inc.; Otis & Co. **Proceeds**—To finance expansion and improvement program. **Business**—Public utility.

California Oregon Power Co.
March 26 filed 60,000 shares ($100 par) cumulative preferred and 408,000 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 18,000 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 390,000 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 use proceeds to reduce bank loans. 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.

● **Canadian Breweries Ltd., Toronto, Canada**
April 30 filed 200,000 shares (no par) common stock. Underwriting, none. **Offering**—To be offered to common stockholders. **Proceeds**—For general funds to finance expansion program of company and Canadian subsidiaries or to reimburse treasury for expenditures already made.

Carpenter Paper Co., Omaha, Neb.
Mar. 31 filed 10,000 shares ($1 par) common. **Underwriting**—None. **Offering**—Shares will be offered directly to officers and employees of the company at $45 a share. Purchasers must agree not to transfer the shares for a period of five years. **Price**—$45 a share. **Proceeds**—To be added to general funds for purchase of additional equipment.

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 7⅓ shares held. Unsubscribed shares will be sold to underwriters. Price by amendment. Proceeds—Working capital, etc. Offering indefinitely postponed.

Cincinnati & Suburban Bell Telephone Co.
April 14 filed 100,738 shares ($50 par) capital stock. **Underwriting** — None. **Offering** — For subscription to common stockholders in the ratio of one share for each six shares held as of May 12, 1947. Price at par. **Proceeds**—To reimburse company treasury for construction expenditures and for additional improvements.

● **Clarksville (Texas) Industrial Foundation, Inc.**
April 28 (letter of notification) $25,000 reorganization certificates to be surrendered for 1,000 shares of $25 par common. **Price**—$25 per unit. To be sold through individuals of the corporation including B. B. Black, who is securing license as security dealer. To establish and maintain industrial enterprises in the area of Clarksville.

Claude Neon, Inc., New York
March 28 filed 223,954 shares ($1 par) common. **Underwriting**—None. **Offering**—Shares will be offered for subscription to common stockholders on basis of one share for each 10 shares held. Price by amendment. **Proceeds**—To finance airline operations and acquisition and development of oil properties. Company also plans to advance funds to Summit Airways, Inc., of whose stock it owns 61%.

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.

Cohart Refractories Co., Louisville, Ky.
Mar. 28 filed 182,520 shares ($5 par) common. **Underwriters**—Harriman Ripley & Co., and Lazard Freres & Co., both of New York. Price by amendment. **Proceeds**—The shares are being sold by Corning Glass Works, New York, and represent 88.8% of the total outstanding common of the company.

● **Columbia Pictures Corp., New York**
April 30 (letter of notification) 1,500 shares (no par) common. To be sold at market. The shares will be issued to Louis J. Barbano, Vice-President, who will send a check to City Bank Farmers Trust Co., transfer agent, equal to closing bid price on the New York Stock Exchange on May 6. The Trust Company will apportion the funds to stockholders entitled to fractional shares of stock.

Consolidated Gas Electric Light & Power Co. of Baltimore (5/15-16)
April 3 filed $16,677,100 15-year 2½% conv. debentures, due May 15, 1962. **Underwriters**—Harriman Ripley & Co., Inc., and Alex. Brown & Sons. **Offering**—Debentures are offered at par to common stockholders of record April 18 on the basis of $100 of debentures for each seven shares held. Rights expire 5 p.m. May 14. Unsubscribed shares will be offered publicly at $100 per unit through the underwriters. **Proceeds**—Proceeds, estimated at $16,507,162, will be used to reimburse its treasury for capital expenditures and for general corporate purposes including extensions and improvements of its properties and plants.

Continental-United Industries Co., Inc., N. Y.
Mar. 28 filed 152,500 shares ($1 par) common. **Underwriters**—Aronson, Hall & Co., and P. W. Brooks & Co., New York. **Offering**—Of the total 102,500 shares are being offered by selling stockholders. Price by amendment. **Proceeds**—The company, which is selling 50,000 shares, will apply proceeds to general funds.

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.

Curlee Clothing Co., St. Louis (5/12-16)
April 18 filed 22,500 shares of 4½% ($100 par) cumulative preferred. **Underwriter**—Stifel, Nicolaus & Co., Inc., St. Louis. **Offering**—The preferred shares will be offered for exchange, dollar for dollar, for the company's outstanding Class A common, valued at $31.50 each. Unexchanged shares of new preferred will be offered publicly at $100 each. **Proceeds**—Proceeds will be used to redeem unexchanged shares of Class A common at $31.50 each and to carry out the company's expansion program. **Business**—Manufacture of men's suits and overcoats.

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.

Disticraft Inc., Chicago
April 3 (letter of notification) 15,000 shares of class B common on behalf of Clarence W. Kraft, Ray T. Haas, and William A. Spanier, all officers of company. The securities may be sold through Bennett, Spanier and Co., Chicago, as agent.

Divco Corp., Detroit
April 30 filed 34,963 shares ($1 par) common. **Underwriters**—Reynolds & Co. and Laurence M. Marks & Co., both of New York. **Price**—By amendment. **Proceeds**—Shares are being sold by a stockholder. Twin Coach Co., Kent, O., which will receive all proceeds.

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.

Douglass Manufacturing Co., Inc., Portland, Me.
April 25 (letter of notification) 10,000 shares of common and rights to subscribe for them. **Price**—$10 per unit consisting of one share of common and one right. **Underwriter**—Minot, Kendall & Co., Inc., Boston. For general corporate purposes.

Drackett Co., Cincinnati
April 28 filed 14,300 ($1 par) common shares. **Underwriter**—Van Alstyne, Noel & Co. **Proceeds**—Stock is being sold by Harry R. Drackett, President (6,929 shares) and Charles M. Drackett, 7,371 shares). **Price** — By amendment.

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.

East Coast Electric Co., West Point, Va.
Mar. 28 filed $1,300,000 of first mortgage bonds, Series A, due 1977, and 60,000 shares of $10 par common. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc. (bonds only); Harris, Hall & Co. (Inc.); Otis & Co.; Kidder, Peabody & Co. **Offering**—To the public. The registration showed that $800,000 of the bonds and all of the common stock are being offered by East Coast Public Service Co., parent of the registrant. **Proceeds**—East Coast Electric will use proceeds from the sale of $500,000 of bonds toward the payment of outstanding first mortgage notes and repayment of bank loans.

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.

● **Fairport Materials Corp., New York**
April 29 (letter of notification) 2,250 shares (no par) $5 cumulative preferred and 22,500 shares (1c par) common. **Price**—$100.50 per unit, consisting of one share of preferred and 10 shares of common. **Underwriter**—Eastman, Dillon & Co., New York. To purchase machinery and equipment and for other working capital requirements.

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.

Ferguson (Harry), Inc., Detroit
Mar. 31 filed 100,000 shares ($50 par) 4¾% cumulative preferred and 250,000 shares ($1 par) common. **Underwriters**—F. Eberstadt & Co., Inc., New York, and Watling, Lerchen & Co., Detroit. Price by amendment. **Proceeds**—To equip and improve recently acquired Cleveland, O. plant. Offering postponed.

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 shares of class A stock is initially convertible into 2 shares of common stock. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Offering** — To be offered publicly at $8.10 a unit consisting of one share of class A stock and one share of common stock. **Proceeds**—$201,000 for retirement of 2,010 shares ($100 par) preferred stock at $100 a share; remaining proceeds, together with other funds, will be used for production of educational films.

Foremost Dairies, Inc.
March 28 filed 70,000 shares ($50 par) 4¾% series cumulative preferred stock with common stock purchase warrants. **Underwriters**—Paine, Webber, Jackson & Curtis; and Allen & Co., both of New York. **Offering**—65,500 shares will be offered to the public at 52.50 per share. Of the remaining, 3,414 shares will be offered to certain officers and one large stockholder who have indicated their willingness to surrender shares of 6% preferred stock held by them in exchange for shares of new preferred. The remaining 1,086 shares are being issued in satisfaction of an obligation to pay $57,000 in connection with the purchase of a plant in Jacksonville, Fla. **Proceeds**—For redemption of 25,233⅓ shares of 6% preferred and for other corporate purposes. Indefinitely postponed.

● **Fowler Farm Oil Corp., Duncan, Okla.**
April 29 (letter of notification) 25,000 shares of ($1 par) common. **Price**—$1 a share. No underwriting. To drill oil and gas test well.

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.

● **Garden State Canning Co., Hightstown, N. J. (5/15)**
May 2 (letter of notification) $65,000 6% cumulative preferred. **Price**—$100 a share. No underwriting. For working capital.

General Controls Co., Glendale, Calif.
April 24 filed 30,000 shares ($25 par) 6% cumulative preferred and 10,000 shares ($5 par) common. **Underwriter**—Wagenseller & Durst, Inc., and Lester & Co., both of Los Angeles. **Price**—$25 a preferred share and $33 a common share. **Proceeds**—To repay $750,000 note and for working capital.

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 Cycle Mining Co., Inc., Tucson, Ariz.**
April 30 (letter of notification) 49,000 shares ($1 par) common. **Price**—$1 a share. No underwriting. For construction of ore mill and for working capital.

● **Grammes (L. F.) & Sons, Inc., Allentown, Pa. (5/14)**
May 5 (letter of notification) 4,000 shares $1.50 preferred stock (no par). **Price**—$25. **Underwriter**—Warren W. York & Co., Inc. Working capital.

● **Greil Drug & Chemical Co., Pittsburgh (5/12)**
May 5 (letter of notification) 150,000 shares of common stock. **Price**—$1. **Underwriter**—Willis E. Burnside & Co., Inc., New York. Purchase of Mid-State Pharmacal Co., Inc.; working capital.

Griggs, Cooper & Co., St. Paul, Minn.
Sept. 3 (letter of notification) 12,000 shares ($1 par) common. **Underwriters**—Kalman & Co., Inc., St. Paul. **Price**—$25 a share. **Proceeds** — For improvement and modernization program. Offering indefinitely postponed.

Grolier Society, Inc., New York
April 2, 1947 (by amendment), 30,000 shares at 4¾% cumulative preferred stock ($50 par) and 170,000 shares of $1 par common stock. **Underwriters**—Riter & Co. and Hemphill, Noyes & Co. **Offering**—Underwriters to purchase from the company 30,000 shares of preferred and 70,000 shares of common; and from Fred P. Murphy and J. C. Graham, Jr., 100,000 shares of issued and outstanding common. **Proceeds**—To retire $6 cumulative preferred, balance for reduction of bank loans.

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.

Hartfield Stores, Inc., Los Angeles
June 27 filed 120,000 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 $5 a share. **Proceeds**—Company is selling 50,000 shares and stockholders are selling 75,000 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.

Hawaiian Electric Co., Ltd., Honolulu
Mar. 31 filed $5,000,000 first mortgage bonds, series F, due 1977. **Underwriters**—Dillon, Read & Co., Inc., New York, and Dean Witter & Co., San Francisco. Price by amendment. **Proceeds**—To repay $3,000,000 of short term promissory notes and to reimburse its treasury for previous construction expenditures.

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.

Home Finance Group, Inc., Charlotte, N. C.
April 24 (letter of notification) 8,000 shares ($25 par) 5½% cumulative convertible preferred. **Price**—$25 a share. **Underwriting**—To be sold through securities dealers which may include R. S. Dickson & Co., Charlotte, N. C. To be added to working capital.

Hy-Grade Supply Co., Oklahoma City
Dec. 3 (letter of notification) 54,350 shares of cumulative convertible 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.

● **Independence Gold Mining Co., Inc., Centennial, Wyoming**
April 28 (letter of notification) 150,000 shares (10c par) common. **Price**—10 cents a share. No underwriting. For equipment and development of mining claims.

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. 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.

● **Kando Oil & Gas Co., Colorado Springs, Colo.**
May 11 (letter of notification) 500 shares each of preferred and common. **Price**—$100 a preferred share. Equal amount of common given with each preferred share. To be sold through officers and directors of company. For drilling new wells.

Koppers Co. Inc., Pittsburgh
April 30 filed 200,000 shares of common stock (par $10). **Underwriter**—The First Boston Corp. **Proceeds**—The money will be used for the construction of plants at Kobuta, Pa., at a cost of approximately $4,750,000, the conversion of a refinery at Oil City, Pa., into a synthetic organic chemical plant at a cost of about $1,250,000 and for the completion of facilities at Kearney, N. J., at a cost of $1,000,000.

● **Kuhlman Electric Co., Bay City, Mich.**
April 28 (letter of notification) 30,000 shares of 5½% cumulative preferred ($10 par). **Price**—$10 a share. **Underwriter**—White, Noble & Co., Detroit. For working capital.

Lakefront Realty Corp., Chicago
April 14 filed 100,000 shares ($10 par) common. **Underwriting**—The underwriting will be handled by Lake Shore Club of Chicago which organized the registrant to carry out the proposed transactions. **Offering**—To members of Lake Shore Club. **Price**—$10 a share. **Proceeds**—To purchase property presently leased.

La Plant-Choate Manufacturing Co., Inc., Cedar Rapids, Iowa
April 30 filed 60,000 shares ($25 par) cumulative convertible preferred. **Underwriter**—Paul H. Davis & Co., Chicago. **Price** — By amendment. **Proceeds**—To be added to working capital and will be used in part to reduce current bank loans. **Business** — Manufacture of earth moving equipment.

Lay (H. W.) & Co., Inc., Atlanta (5/26)
April 18 filed 16,000 shares ($50 par) 5% cumulative convertible preferred and 15,000 shares ($1 par) common. **Underwriter**—Clement A. Evans & Co., Inc., Atlanta. **Offering**—All but 3,000 shares of the common will be sold publicly at $6.50 a share. The preferred will be offered to the public at $50 a share. The 3.000 shares of common not sold publicly will be offered to company officers and employees at $5 each. **Proceeds**—For construction of new plants at Atlanta and Memphis, Tenn.

● **Lerner Stores Corp., Baltimore, Md.**
May 2 filed 100,000 shares ($100 par) cumulative preferred. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, N. Y. Price by amendment. **Proceeds**—To retire 31,870 shares of 4½% preferred at $105 a share and to repay $4,500,000 bank loan. **Business**—Operation of women's apparel stores.

Libby, McNeill & Libby (6/2)
April 30 filed 100,000 shares (no par) preferred stock. **Underwriter** — Glore, Forgan & Co. **Offering** — Stockholders of record May 19 will be given the right to subscribe to the new stock at the rate of one share of preferred for each 36 shares of common owned. Rights expire June 2. **Proceeds**—The money will be used to complete a plant at Sunnyvale, Calif., and for other corporate purposes.

Lithium Corp. of America, Minneapolis (5/21)
April 2 (letter of notification) 85,000 shares of common and 42,500 common stock warrants not exercisable until May 1, 1948. **Price**—$3 a common share and two cents a warrant. **Underwriter**—Hautz, Engel & Andrews, New York. For mine development and for working capital.

McClanahan Oil Co., Grand Rapids, Mich.
April 8 (letter of notification) 260,109 shares ($1 par) common. **Price**—$1 a share. To be offered for subscription to stockholders of record April 22 in ratio of one for each five shares held. No underwriting. For working capital.

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McCormack & Co., San Francisco

April 14 (letter of notification) 25,000 shares ($1 par) common; $225,000 of 6% certificates of indebtedness and 15,300 shares ($1 par) common to be issued on exercise of the option granted by the certificates of indebtedness. The common will be offered at $1 a share and the certificates at face amount. Hannaford & Talbot will be the agent for the sale. Proceeds to be used to acquire all the assets of McCormack & Co., a going business.

Manontqueb Explorations, Ltd., Toronto, Can.

April 10 filed 300,000 shares ($1 par) common. **Underwriter**—Name to be supplied by amendment. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

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.

Mercantile Acceptance Corp. of California, San Francisco

Mar. 26 (letter of notification) $146,900 10-year debentures, 4% series. To be sold at face amounts of $100, $500 and $1,000. **Underwriter**—Guardian Securities Corp., San Francisco. For payment of short term notes or for other 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.

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.

● **Mississippi Power & Light Co., Jackson, Miss.**

May 2 filed $8,500,000 of first mortgage bonds, due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—Approximately $6,000,000 will be added to cash funds and will be used in part to finance additional construction. The remaining $2,500,000 will be put in trust under the terms of its mortgage and deed of trust. **Business**—Public utility.

● **Missouri Edison Co., Louisiana, Mo.**

May 7 filed 80,000 shares ($5 par) common. **Underwriter**—Blair & Co., New York. **Price**—$10.50 a share. **Proceeds**—Shares being sold by L. F. Rodgers, Dallas, Tex., Treasurer and principal stockholder, who will receive proceeds.

Mobile (Ala.) Battle House, Inc.

April 28 (letter of notification) $250,000 of convertible mortgage 5% bonds, due 1957. Price, par. Shropshire & Co., Mobile, will act as agent. For expansion and improvement purposes.

Morris Plan Corp. of America, N. Y.

Mar. 31 filed $3,000,000 12-year debentures, due 1959. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans in amount of $4,080,000, with the balance applied to general corporate purposes.

Motors Securities Co., Inc., Shreveport, La.

Feb. 19 filed $250,000 collateral trust notes, series 118 to 120 inclusive, with 4% interest from maturity. **Underwriting**—No underwriting. **Proceeds**—For purchase of automobile time sales paper which is its principal business as a finance company.

● **Mountain Empire Mills, Inc., Denver, Colo.**

May 2 (letter of notification) 15,000 shares of no par common. **Price**—$20 a share. No underwriting. For engineering work, ore testing, construction of and operation of plant.

Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par $1). Underwriter—Smith, Barney & Co. Price by amendment. Proceeds—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

● **National Chair & Products Co., Los Angeles, Cal.**

April 29 (letter of notification) 62,500 shares of stock to be issued to six individuals and 37,500 shares to be offered publicly at $1 a share. No underwriting. To liquidate indebtedness, purchase equipment and for working capital.

National Gas & Oil Corp., Newark, O.

March 28 filed $1,750,000 of 15-year sinking fund debentures, due 1962. **Underwriter** — G. H. Walker & Co., Providence, R. I. Price by amendment. **Proceeds**—To redeem first mortgage bonds, to repay Freedom-Valvoline Oil Co. the balance of advances made by that company to the corporation and to add to general funds for payment of costs of construction and development work.

● **Nevada Stewart Mining Co., Spokane, Wash.**

April 30 (letter of notification) 200,000 shares of capital stock. **Price**—12½ cents a share. To be sold through officers and directors of company. To develop mining claims.

● **Neville Island Glass Co., Inc., Pittsburgh, Pa. (5/9)**

May 2 (letter of notification) 900 shares of common on behalf of Charles G. Wray, New York. **Price**—$3.25 a share. **Underwriting**—Amott, Baker Co., Inc.

New Brunswick Oilfields, Ltd., Fredericton, New Brunswick, Canada

April 2 filed 150,000 shares (no par) capital stock. **Underwriters**—William D. Elwell, Elwell & Co., Inc., Boston, and W. C. Pitfield & Co., Ltd., Montreal. **Price**—$5.75 a share. **Proceeds**—Proceeds, together with $300,000 bank loan and $300,000 from the Shell Co., will be used towards the purchase of the New Brunswick Properties of New Brunswick Gas & Oilfields, Ltd.

New England Electric System

April 23 filed $75,000,000 of debentures, of which $25,000,000 will mature in 1967 and $50,000,000 in 1977. **Underwriters** — To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co., and Kidder, Peabody & Co. (jointly). **Purpose**—Proceeds of new debentures will be used in part to discharge publicly held debt of three subsidiaries: New England Power Association; North Boston Lighting Properties and Massachusetts Utilities Associates in compliance with simplification plan.

● **Norden Laboratories, Lincoln, Neb.**

May 1, (letter of notification) 1,000 shares of common. **Price**—$138.06 a share. No underwriting. To purchase additional land, reimburse working capital and for additional working capital.

O'Briens of California, Inc., San Jose, Calif.

April 16 filed 20,000 shares of $1.35 cumulative preferred stock (par $25), with warrants and 40,000 shares of common stock (no par). Warrants for common stock may be exercised through April 1950 at $10 per share, through April 1952 at $11 per share and through April 1953 at $12 per share. **Underwriter**—Mitchum, Tully & Co. **Proceeds**—To repay bank loans and for additions and betterments. **Business**—Manufacturer of candy.

Ohio-Apex, Inc., Nitro, W. Va. (5/20)

April 22 filed 75,000 shares ($1 par) common. **Underwriter**—Doolittle, Schoellkopf & Co., Buffalo, N. Y. Price by amendment. **Proceeds**—Shares are being sold by six stockholders who will receive proceeds. **Business**—Manufacture of plasticizers and chemicals.

Old Poindexter Distillery, Inc., Louisville, Ky.

Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. **Underwriters**—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. **Price**—At par. **Proceeds**—To be added to working capital.

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.

● **Point of Sale, Inc., Louisville, Ky.**

April 28 (letter of notification) 20,000 units consisting of one share of 5% preferred and one share of common. **Price**—$10 a unit. **Underwriter**—Stein Bros. & Boyce, Louisville. For general working capital.

Public Service Co. of Indiana Inc.

March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters**—None. **Offering**—For subscription by 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**—Par **Proceeds**—For repayment of $11,500,000 of bank loan notes.

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.

Reed-Prentice Corp., Worcester, Mass.

April 7 (letter of notification) 5,000 shares ($2.50 par) common. **Price**—At market. Being sold on behalf of Charles S. Payson, Vice-President. Tucker, Anthony & Co., is broker for the sale.

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.

Salant & Salant, Inc., New York

March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

Service Caster & Truck Corp., Albion, Mich.

April 10 filed 32,000 shares ($25 par) $1.40 convertible preferred and 53,962 shares ($1 par) common. **Underwriter**—Smith, Burris & Co., Chicago. **Price**—$25 a preferred share and $10 a common share. **Proceeds**—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

Solar Manufacturing Corp.

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.

South Carolina Power Co., Charleston, S. C.

March 31 filed 200,000 shares (no par) common and $4,000,000 first and refunding mortgage bonds, due 1977. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); W. C. Langley & Co. and Carl M. Loeb, Rhoades & Co. (jointly). Price to be determined by competitive bidding. **Proceeds**—To reimburse its treasury funds expended for property improvements.

Southern California Water Co. (5/13)

March 28 filed $5,100,000 first mortgage bonds, due 1977. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.; Union Securities Corp. **Proceeds**—Part of the proceeds will be used to redeem $3,762,000 of outstanding first mortgage bonds at 105¼. Balance will be applied to capital additions. **Bids Invited**—Bids for purchase of bonds will be received at office of Drinker, Biddle & Reath, 117 South 17th St., Philadelphia up to 11 a.m. May 13.

● **Sterilseat Corp. of America, Philadelphia**

May 2 (letter of notification) 100,000 shares of common being offered on behalf of three officers of the company. To be sold at market through J. Arthur Warner & Co., Inc., New York.

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.

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. Offering date indefinite.

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McCormack & Co., San Francisco

April 14 (letter of notification) 25,000 shares ($1 par) common; $225,000 of 6% certificates of indebtedness and 15,300 shares ($1 par) common to be issued on exercise of the option granted by the certificates of indebtedness. The common will be offered at $1 a share and the certificates at face amount. Hannaford & Talbot will be the agent for the sale. Proceeds to be used to acquire all the assets of McCormack & Co., a going business.

Manontqueb Explorations, Ltd., Toronto, Can.

April 10 filed 300,000 shares ($1 par) common. **Underwriter**—Name to be supplied by amendment. **Price**—40 cents a share. **Proceeds**—For exploration and development of mining claims. **Business**—Mining.

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.

Mercantile Acceptance Corp. of California, San Francisco

Mar. 26 (letter of notification) $146,900 10-year debentures, 4% series. To be sold at face amounts of $100, $500 and $1,000. **Underwriter**—Guardian Securities Corp., San Francisco. For payment of short term notes or for other 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.

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.

● **Mississippi Power & Light Co., Jackson, Miss.**

May 2 filed $8,500,000 of first mortgage bonds, due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); White, Weld & Co. and Shields & Co. (jointly). **Proceeds**—Approximately $6,000,000 will be added to cash funds and will be used in part to finance additional construction. The remaining $2,500,000 will be put in trust under the terms of its mortgage and deed of trust. **Business**—Public utility.

● **Missouri Edison Co., Louisiana, Mo.**

May 7 filed 80,000 shares ($5 par) common. **Underwriter**—Blair & Co., New York. **Price**—$10.50 a share. **Proceeds**—Shares being sold by L. F. Rodgers, Dallas, Tex., Treasurer and principal stockholder, who will receive proceeds.

Mobile (Ala.) Battle House, Inc.

April 28 (letter of notification) $250,000 of convertible mortgage 5% bonds, due 1957. Price, par. Shropshire & Co., Mobile, will act as agent. For expansion and improvement purposes.

Morris Plan Corp. of America, N. Y.

Mar. 31 filed $3,000,000 12-year debentures, due 1959. **Underwriter**—Eastman, Dillon & Co., New York. Price by amendment. **Proceeds**—To retire outstanding bank loans in amount of $4,080,000, with the balance applied to general corporate purposes.

Motors Securities Co., Inc., Shreveport, La.

Feb. 19 filed $250,000 collateral trust notes, series 118 to 120 inclusive, with 4% interest from maturity. **Underwriting**—No underwriting. **Proceeds**—For purchase of automobile time sales paper which is its principal business as a finance company.

● **Mountain Empire Mills, Inc., Denver, Colo.**

May 2 (letter of notification) 15,000 shares of no par common. **Price**—$20 a share. No underwriting. For engineering work, ore testing, construction of and operation of plant.

Murphy (G. C.) Co., McKeesport, Pa.

June 13 filed 250,000 shares of common stock (par $1). Underwriter—Smith, Barney & Co. Price by amendment. Proceeds—Redemption of outstanding 4¾% preferred stock at $109 a share plus dividends. Indefinitely postponed.

● **National Chair & Products Co., Los Angeles, Cal.**

April 29 (letter of notification) 62,500 shares of stock to be issued to six individuals and 37,500 shares to be offered publicly at $1 a share. No underwriting. To liquidate indebtedness, purchase equipment and for working capital.

National Gas & Oil Corp., Newark, O.

March 28 filed $1,750,000 of 15-year sinking fund debentures, due 1962. **Underwriter** — G. H. Walker & Co., Providence, R. I. Price by amendment. **Proceeds**—To redeem first mortgage bonds, to repay Freedom-Valvoline Oil Co. the balance of advances made by that company to the corporation and to add to general funds for payment of costs of construction and development work.

● **Nevada Stewart Mining Co., Spokane, Wash.**

April 30 (letter of notification) 200,000 shares of capital stock. **Price**—12½ cents a share. To be sold through officers and directors of company. To develop mining claims.

● **Neville Island Glass Co., Inc., Pittsburgh, Pa. (5/9)**

May 2 (letter of notification) 900 shares of common on behalf of Charles G. Wray, New York. **Price**—$3.25 a share. **Underwriting**—Amott, Baker Co., Inc.

New Brunswick Oilfields, Ltd., Fredericton, New Brunswick, Canada

April 2 filed 150,000 shares (no par) capital stock. **Underwriters**—William D. Elwell, Elwell & Co., Inc., Boston, and W. C. Pitfield & Co., Ltd., Montreal. **Price**—$5.75 a share. **Proceeds**—Proceeds, together with $300,000 bank loan and $300,000 from the Shell Co., will be used towards the purchase of the New Brunswick Properties of New Brunswick Gas & Oilfields, Ltd.

New England Electric System

April 23 filed $75,000,000 of debentures, of which $25,000,000 will mature in 1967 and $50,000,000 in 1977. **Underwriters** — To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; White, Weld & Co., and Kidder, Peabody & Co. (jointly). **Purpose**—Proceeds of new debentures will be used in part to discharge publicly held debt of three subsidiaries: New England Power Association; North Boston Lighting Properties and Massachusetts Utilities Associates in compliance with simplification plan.

● **Norden Laboratories, Lincoln, Neb.**

May 1, (letter of notification) 1,000 shares of common. **Price**—$138.06 a share. No underwriting. To purchase additional land, reimburse working capital and for additional working capital.

O'Briens of California, Inc., San Jose, Calif.

April 16 filed 20,000 shares of $1.35 cumulative preferred stock (par $25), with warrants and 40,000 shares of common stock (no par). Warrants for common stock may be exercised through April 1950 at $10 per share, through April 1952 at $11 per share and through April 1953 at $12 per share. **Underwriter**—Mitchum, Tully & Co. **Proceeds**—To repay bank loans and for additions and betterments. **Business**—Manufacturer of candy.

Ohio-Apex, Inc., Nitro, W. Va. (5/20)

April 22 filed 75,000 shares ($1 par) common. **Underwriter**—Doolittle, Schoellkopf & Co., Buffalo, N. Y. Price by amendment. **Proceeds**—Shares are being sold by six stockholders who will receive proceeds. **Business**—Manufacture of plasticizers and chemicals.

Old Poindexter Distillery, Inc., Louisville, Ky.

Mar. 31 filed 50,000 shares ($20 par) 5% convertible cumulative preferred and an unspecified number of ($1 par) common shares into which the preferred is convertible. **Underwriters**—F. S. Yantis & Co., and H. M. Byllesby & Co., both of Chicago. **Price**—At par. **Proceeds**—To be added to working capital.

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.

● **Point of Sale, Inc., Louisville, Ky.**

April 28 (letter of notification) 20,000 units consisting of one share of 5% preferred and one share of common. **Price**—$10 a unit. **Underwriter**—Stein Bros. & Boyce, Louisville. For general working capital.

Public Service Co. of Indiana Inc.

March 26 filed $11,077,800 15-year 2¾% convertible debentures. **Underwriters** — None. **Offering** — For subscription by 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**—Par **Proceeds**—For repayment of $11,500,000 of bank loan notes.

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.

Reed-Prentice Corp., Worcester, Mass.

April 7 (letter of notification) 5,000 shares ($2.50 par) common. **Price**—At market. Being sold on behalf of Charles S. Payson, Vice-President. Tucker, Anthony & Co., is broker for the sale.

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.

Salant & Salant, Inc., New York

March 28 filed 240,000 shares ($2 par) capital stock. Underwriter—Eastman, Dillon & Co., New York. Price by amendment. Proceeds—Shares are being sold by 13 stockholders who will receive proceeds.

Service Caster & Truck Corp., Albion, Mich.

April 10 filed 32,000 shares ($25 par) $1.40 convertible preferred and 53,962 shares ($1 par) common. **Underwriter**—Smith, Burris & Co., Chicago. **Price**—$25 a preferred share and $10 a common share. **Proceeds**—Proceeds, together with funds to be provided by a term bank loan, will be used to discharge indebtedness to Domestic Credit Corp.

Solar Manufacturing Corp.

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.

South Carolina Power Co., Charleston, S. C.

March 31 filed 200,000 shares (no par) common and $4,000,000 first and refunding mortgage bonds, due 1977. **Underwriters**—To be determined by competitive bidding. Probable bidders include The First Boston Corp.; Harriman Ripley & Co.; Morgan Stanley & Co.; Halsey, Stuart & Co. Inc. (bonds); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); W. C. Langley & Co. and Carl M. Loeb, Rhoades & Co. (jointly). Price to be determined by competitive bidding. **Proceeds**—To reimburse its treasury funds expended for property improvements.

Southern California Water Co. (5/13)

March 28 filed $5,100,000 first mortgage bonds, due 1977. **Underwriters**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co., Inc.; Blyth & Co., Inc.; Union Securities Corp. **Proceeds**—Part of the proceeds will be used to redeem $3,762,000 of outstanding first mortgage bonds at 105¼. Balance will be applied to capital additions. **Bids Invited**—Bids for purchase of bonds will be received at office of Drinker, Biddle & Reath, 117 South 17th St., Philadelphia up to 11 a.m. May 13.

● **Sterilseat Corp. of America, Philadelphia**

May 2 (letter of notification) 100,000 shares of common being offered on behalf of three officers of the company. To be sold at market through J. Arthur Warner & Co., Inc., New York.

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.

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. Offering date indefinite.

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 $56,906,590, exclusive of interest and dividends.

Tri-United Plastics Corp., Irvington, N. J.

April 25 (letter of notification) 30,000 shares of common stock (par 50c). Underwriting, none. Price, at market (about 25c). Stock will be sold through Bruns, Nordeman & Co., New York. Proceeds to selling stockholders.

● **Tucker Corp., Chicago**

May 6 filed 4,000,000 shares ($1 par) Class A common. **Underwriter**—Floyd D. Cerf Co., Chicago. **Price**—$5 a share. The underwriting discount will be 70 cents a share. **Proceeds**—To lease and equip manufacturing plant at Chicago, and for other operating expenses. **Business**—Manufacture of automobiles.

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.

March 6 filed $3,500,000 first mortgage bonds, due 1977 and 10,000 shares ($100 par) cumulative preferred stock. **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. **Bids**—Bids for purchase of securities expected May 19.

Utah Chemical & Carbon Co., Salt Lake City

Dec. 20 filed $700,000 15-year convertible debentures due 1962, and 225,000 shares ($1 par) common. The statement also covers 112,000 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.

Vauze Dufault Mines, Ltd., Toronto, Canada

Mar. 31 filed 500,000 shares ($1 par) common. **Underwriter**—Name to be filed by amendment. **Price**—50 cents a share. **Proceeds**—For general operating expenses.

Victory Gold Mines Ltd., Montreal, Canada

Nov. 13 filed 400,000 shares ($1 par) capital stock. **Underwriter**—Paul E. Frechette. **Price**—25 cents a share. **Proceeds**—For developing mining property. **Business**—Acquiring and developing mining properties.

Weber Showcase & Fixture Co., Inc., Los Ang.

Mar. 31 filed 87,010 shares ($5 par) common. **Underwriters**—Name to be supplied by amendment. **Offering**—Of the total, 16,671 shares will be offered for subscription to Weber's common stockholders on the basis of one new share for each five presently held. The remaining 70,339 shares will be offered publicly through underwriters. Price by amendment. **Proceeds**—To reduce bank loans and to retire a purchase money trust deed note.

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.

Western Electric Co., New York

April 16 (letter of notification) 1,500,000 shares (no par) common. To be offered for subscription to stockholders of record May 27 at $40 a share. Rights expire June 27. No underwriting. To reduce indebtedness and to reimburse its treasury.

● **White Transportation Co., Inc., Asheville, N. C.**

May 5 (letter of notification) 2,000 shares ($100 par) 5% cumulative preferred. **Price**—$102 a share. **Underwriter**—Scott, Horner & Mason, Inc., Lynchburg, Va. To retire present preferred bonds and for expansion purposes.

Whites Auto Stores, Inc.

Feb. 25, filed 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**—Stock is being sold by the four officers and directors. [$1,000,000 12-year debentures filed at same time being withdrawn having been replaced by private loan from three insurance companies.]

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.

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)

● **Aetna Insurance Co.**

May 1 company proposes to raise about $10,000,000 new capital by sale of 250,000 shares of stock (par $10), later this year. Probable underwriters include, Dillon, Read & Co. and W. C. Langley & Co.

● **American Cyanamid Co.**

May 1 company proposes to issue 391,076 shares (of authorized amount of 650,000) of cumulative preferred stock, convertible into common stock, having an aggregate par value of $39,107,600, which will be offered for subscription to holders of outstanding common stock at the rate of one share of cumulative preferred stock for each seven shares of common stock. It is proposed to enter into an agreement with a group of underwriters headed by White, Weld & Co., for the purchase of any shares which are not taken up under the subscription rights issued to the holders of the common stock.

● **Appalachian Electric Power Co.**

April 30 reported that groups are being formed to bid for reported financing in amount of $30,000,000. Possible bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Harriman, Ripley & Co.

● **Chicago Transit Authority**

May 3 a group of 140 investment houses led by Harris, Hall & Co. (Inc.), Blyth & Co., Inc., and The First Boston Corp. is having an engineering survey of the properties of Chicago Rapid Transit Co. and Chicago Surface Lines worked up, as a preliminary to bidding for Chicago Transit Authority's proposed $87,000,000 of new bonds. Another banking group headed by Otis & Co. still is indicating an active interest in the revenue bonds to be issued by the Authority to finance the purchase.

● **Consolidated Edison Co. of New York, Inc.**

May 3 company may float in two operations the remaining $90,000,000 of new bonds contemplated by its refunding plan. The company, it is thought, may sell an issue for $60,000,000 this summer. This would retire $35,000,000 of 3½s, due 1956, and approximately $25,000,000 of bank loans. It is thought that sale of $30,000,000 in new bonds to retire $30,000,000 3½s due 1958 may be put off until later in the year.

● **Consolidated Natural Gas Co.**

The directors have approved a plan for permanent financing through the sale of 545,672 of capital stock which will be submitted to stockholders for approval May 24. Under the plan the stock will be offered to the stockholders in the ratio of one share for each five shares held and at a price below the market price prevailing at the time of offering. Any stock not taken by stockholders will be disposed of as the directors may decide.

● **Dayton Power & Light Co.**

May 3 company is preparing to take the first step of a refinancing program designed to refund outstanding securities and to finance a major portion of construction expenditures. The first step in the program will be issuance of $17,500,000 of new preferred stock. This step will be taken about the middle of June it is said. The new preferred will be in two series. Series "A" of $10,000,000 will be used to refund the presently outstanding $10,000,000 of 4½% preferred stock. Holders of the existing shares will be offered an exchange for the new stock. The unexchanged portion of the 4½% stock will be retired with proceeds from sale of the new shares not taken down under the exchange offer. The $7,500,000 of new "B" preferred wil be sold to defray a part of the heavy plant expansion costs for 1947.

● **Duquesne Light Co.**

May 1 reported that refunding of bonds and preferred stock was again being discussed. Possible bidders include Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Halsey, Stuart & Co. Inc.; The First Boston Corp.

● **Ford Motor Co., Detroit**

It is rumored that there is a possibility of some of company's stock being publicly offered. It is stated that negotiations already are in progress but time will be required to settle estate details.

● **Harbor Plywood Corp.**

Company plans financing to repay loan of $2,000,000 obtained March 5, 1947 to finance purchase of Peterman contract with Northern Pacific Ry. involving acquisition of Lewis River area timber and also to provide funds for construction conversion facilities acquired under this contract.

● **Jantzen Knitting Mills Inc. (Nevada)**

This company was recently formed in Nevada and merged the Jantzen Knitting Mills (Oregon) with a view to secure increased flexibility in the financial operations of the business. The authorized capital stock has been increased as follows: preferred from $1,500,000 to $4,000,000; common from $300,000 to $1,000,000. Though company sees no immediate need of issuing and selling the full amount of authorized stocks, it will permit authorized when required by the business.

● **Mid-Continent Airlines**

May 3 stockholders authorized an increase in the capital stock to 200,000 shares of preferred stock (par $25) and 1,000,000 shares of common (par $1). Present capitalization is 500,000 common shares ($1 par) of which 383,398 outstanding. Reported company has no immediate plans for public financing.

● **Missouri Pacific RR. (5/20)**

Bids will be received until May 20 (noon EDT) by company at room 1622, 15 Broad St., New York, for purchase of $8,700,000 equipment trust certificates series HH, to be dated May 15, 1947, and due $870,000 each May 15, 1948-1957. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Netherlands, Kingdom of**

May 6 the prospect of the filing of a registration statement in the near future by the Kingdom of the Netherlands of a $20,000,000 bond offering is seen in financial circles. A 10-year maturity is believed planned. The group making the offering probably will be headed by Kuhn Loeb & Co.

● **Ohio Power Co.**

April 30 reported company planning financing between $20,000,000 and $30,000,000 (which would include preferred stock). Probable bidders include: Halsey, Stuart & Co. Inc. (bonds only); Dillon, Read & Co., Inc.; The First Boston Corp.

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(Continued from page 53)

● **Rochester Gas & Electric Corp.**
May 6 New York P. S. Commission conditionally approved company's plan to issue $23,677,000 in bonds and capital stock, part of which would be used in a proposed five-year $51,000,000 construction and expansion program.

● **Rochester Telephone Corp.**
May 2 company filed with New York P. S. Commission first step in plans to increase its capitalization so as to provide funds for expansion of the local properties. Under current petition company seeks to sell $6,700,000 in preferred stock, of which $2,283,000 would be used to retire the current outstanding 4½% preferred and $2,-800,000 bank loans, while the balance would be used for corporate purposes. Over the next five years new capital in the amount of $10,000,000 will be raised, according to John W. Morrison, President. If the proposed financing is approved by the Commission the new preferred will be sold at competitive bidding. Probable bidders include Merrill Lynch, Pierce, Fenner & Beane.

Southern Pacific Co. (5/13)
Company will receive bids up to 12 Noon (EDT) May 13 for the sale of $22,500,000 new San Francisco Terminal first mortgage bonds, series A, maturing June 1, 1975. The new issue, together with other funds will retire the currently outstanding $24,767,600 of San Francisco Terminal 4s, due April 1, 1950. Bids will be received at office of J. A. Simpson, Treasurer, 165 Broadway, New York 6, N. Y. Probable bidders include Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc., Glore, Forgan & Co.; Lazard Freres & Co., Kidder, Peabody & Co. and White, Weld & Co. (jointly).

● **Union Pacific RR.**
May 1 there is possibility of road financing its extensive equipment and improvement program later this year. Probable bidders for bonds: Kuhn, Loeb & Co.; Halsey, Stuart & Co. Inc.

● **United Gas Corp.**
May 1 a program to refinance present outstanding indebtedness and to raise funds for part of its expansion program is being considered. Company now has outstanding $92,205,000 first mortgage trust 3% bonds due in 1962. Program, if adopted, would probably call for the raising of about $20,000,000 of new money. May be placed privately.

● **Wisconsin Hydro Electric Co.**
May 2 company proposes in corporate simplification proceedings pending before SEC, among others to issue $1,750,000 3⅛% first mortgage bonds.

Underwriters Pushing for Early Congressional Revision of Rules on Use of Prospectus

(Continued from page 7)

zation meets on June 10 that it, too, can take up the matter as a definite proposition. The high strategists of both the IBA and the NASD also want the question, when it can be definitely formulated, to be presented to the underwriting industry as a whole for its consideration. The SEC has also made it known that it would want such bodies as the American Bar Association, the United States Chamber of Commerce, the Commerce and Industry Association and the like to have the opportunity to comment on any proposal before it is presented to Congress.

IBA Seeks Action

Whether it will be possible for the IBA, the NASD and the SEC to refer this question to everyone they would like for study and comment and still present any plan for revision to the present session of Congress is of course problematical. The skeptics say it all depends on how much longer Congress decides to continue in session. The IBA, however, for one, would like very much to see a recommendation for revision presented to the Congress now in session. The SEC is somewhat non-committal as to whether it believes the differences of opinion can be resolved quickly enough to permit early Congressional action on any proposal arising out of the present deliberations on the subject of revision. With both the IBA and NASD "hopeful" of an early settlement of the various points of differences, however, it is just possible that something concrete may develop on the whole question within the next two weeks. From exploratory talks to actual Congressional action, however, is recognized all around as a big step covering a lot of ground, ground covered with obstacles and pitfalls of every sort.

Meetings Already Held

This week's meeting of certain key men of the IBA and NASD with the SEC follows by ten days or so another similar meeting of the same group for the same purpose. These meetings on the subject have been numerous from the first of the year in fact, adding up to about a dozen or so sessions in all up to this point. These meetings have been entirely exclusive of others between the IBA and the NASD held in an effort to clear up areas of difference between them and exclusive also of other conferences which the SEC has had separately with representatives of the IBA and of the NASD. The general subject has been very much under discussion and despite all the talk is very much in the air, though the end to the various conferences does seem to be in sight. What has made difficult sailing in the deliberations is the fact that each of the IBA and NASD has had its own ideas of how the Act should be revised, a division of opinion which has irritated the SEC just a little, and the added fact that the SEC staff itself, probably spurred somewhat by the division between the IBA and NASD, has developed some ideas of its own about what should be done. The SEC, of course, encouraged the IBA and the NASD to be explicit regarding what each one of them thought about the Securities Acts and certainly shouldn't be too surprised if it turns out that each one does actually have ideas of its own. The differences between the IBA and NASD probably are not too important, however, since the membership lists of both organizations are more or less the same and their interests are somewhat identical.

NASD's Position

The NASD has sought to go far beyond revising only the portion of the '33 Act pertaining to the use of the prospectus at this time, desiring to accomplish a general revision of both the '33 Act and the Securities Exchange Act of 1934 without any delay. It has concluded, however, that the present Congress with adjournment in its mind would only get tangled up in debate over a sweeping revision of the two Acts and probably would accomplish little in that general direction. Putting first things first, as it points out, it proposes to limit discussion now to the particular section of the '33 Act pertaining to the use of the prospectus.

Great secrecy has surrounded all the discussions of the IBA and the NASD with the SEC so far. Unfortunately for members of the industry outside of the exclusive inner councils who would have liked to follow the progress of the industry's negotiations with the SEC on the whole subject of the revision of the Securities Acts, the policy-makers of both the IBA and the NASD have seen fit not to discuss the questions under consideration out-in-the-open with anyone outside of their own limited official circles. The SEC was given permission at the last joint meeting to issue any press release it desired concerning the matter, as it was developing, but it, too, has chosen secrecy as the best way to achieve its purpose. It does seem difficult to reconcile the fact that the industry as a whole may be expected shortly to state its opinion on the general proposition to be put forth with the fact that it is being more-or-less kept in ignorance of latest developments. This move by forestalling possible opposition to particular phases of the general problem from some quarters and by denying the possibility of added suggestions by others can of course only strengthen the hand of the SEC should it seek to take advantage of any weakness, real or imaginary, that might conceivably appear in the ranks of those in the ethereal regions of high strategy in both the IBA and the NASD.

Agree on Disclosure of Facts

There is no doubt that the high command of the underwriting fraternity—as perhaps also many if not most of all the underwriters themselves—accept the general principle of disclosure of vital financial data as related to the prospectus and the differences that exist do not concern this point. To the extent that the underwriters accept this principle, they agree to go along with the New Deal philosophy as applied to the securities business. It is interesting as it may also be significant that though the New Deal itself as a political entity is just about dead, Wall Street accepts some part anyhow of the New Deal philosophy. It's like the thought implied in the statement, "The King is dead. Long live the King." In agreeing to disclosure in principle, underwriters must realize that they are accepting the spirit if not necessarily the substance of New Deal legislation.

SEC Taking Constructive Attitude

Similarly, to the extent that the SEC admits that there is some good in Wall Street, that Wall Street is not just a den of thieves, the SEC is displaying a different —and more healthy—attitude toward the financial industry. If the SEC—even if somewhat belatedly—understands that anything that interferes with the free flow of funds from wherever they may exist to wherever they can be put to profitable use in trade and industry is bad from any point of view, that represents a great advance in the thinking of the politicians, statesmen, bureaucrats, or otherwise. It is understandable how some segments of the financial industry may desire to push for what they consider necessary revision of the Securities Acts at this time of political transition. It could be a "now or never" proposition. A period of change doesn't last forever.

One thing the underwriters are seeking is a clear definition or, if you please, a redefinition of what constitutes a solicitation of an offer to buy. Many lawyers now advise underwriting houses to exercise caution in the distribution of the prospectus because, in their opinion mere distribution could, as the law stands now, possibly be interpreted by an unfriendly court at some future date as a solicitation and, so, a violation of the '33 Act. Underwriters generally would probably like the permission to canvass possible buyers during the twenty-day waiting period to discover, if possible, their "intentions to buy" so that they may line up the market before the effective date. Summaries rather than detailed statements would be more likely to be read and understood by possible investors, too. Many underwriters certainly feel strongly that much can be done through the language of the law to simplify the prospectus in various ways and so make it more understandable and usable. In a sense, both the underwriters and the SEC realize that the whole system of underwriting new security issues involving the use of the prospectus to safeguard, supposedly, in the interests of investors has broken down completely. Permission to seek "intentions to buy" and the use of a simplified statement of financial condition of the issuing corporation would in effect only legalize prevailing trade custom even now, trade custom, by the way, which even the SEC has sanctioned with one eye closed, so to speak.

Other Prospectus Matter Studied

Other questions relating to the use of the prospectus have been taken up, too, by the strategists, it is understood. For instance, the matter of the timing of Eastern flotations as related to the Western buyer has been studied. The problem posed by the hesitancy to distribute a prospectus in the competitive bidding of industrials has likewise been recognized and given some consideration. In competitive bidding in general, though the interests of the issuing corporations may sometimes appear to be enhanced, the interests of investors are not always so, it is held in many quarters. The SEC, it is also known, is particularly concerned over investors who buy without knowledge of what they are buying in a bull market. The problem of the prospectus is admittedly a complicated one — technical and somewhat legalistic in character—and it is no wonder that it is up for examination at this time and the examiners are having difficulty with it.

Snyder Discusses Such Topics as Britain's Dollar Resources and United States Taxation

(Continued from page 6)

by the way the market looks just what you have to lay on the line when you buy something. What do you think about that?"

Secretary Snyder: "Well, I don't know about the Senator's statement and I don't know just what is in back of his studies. I don't know whether that was a theory he was advancing for study or just what was back of it."

Q.: "He said that is what it ought to be."

Secretary Snyder: "Well. That settles it."

* * *

Requested to comment again on the Tobey Bill's provisions [to authorize the Federal Reserve Banks to guarantee loans to small business], Snyder said: "I don't believe in having two agencies competing with each other in any lending program." The Secretary thinks that if the Reconstruction Finance Corporation's life is extended and it has such lending powers, the matter of duplication by the Reserve Banks ought to be studied.

* * *

In an earlier conference May 2, when asked about loans to Mexico by the Export-Import Bank and the World Bank, Mr. Snyder referred the reporters to those institutions.

Concerning Britain, the Secretary saw no reason for alarm or for revision of policy as a result of the fact that the loan to Britain is being used more rapidly than was contemplated. Asked whether he felt any anxiety about the state of Britain's dollar resources, he replied: "I see no cause for any concern at all."

* * *

A reporter brought up again the matter of Government losses through black market transactions of military personnel abroad, asking for data. Mr. Snyder answered: "Well, until the Treasury is affected by it, I don't think we would have any occasion to [get figures for the press]." Mr. Snyder added: "This is a War Department matter." (The War Department, however, has repeatedly referred inquirers on this subject to the Treasury. Its recent statement to the Associated Press, however, admitted that the Department has a substantial "long position" in military currency).

* * *

Displaying some reluctance to discuss the general price situation, Mr. Snyder did state that announced commodity price cuts "show a very definite trend that business is seriously considering the price situation and is trying to make appropriate cuts where possible."

* * *

There is no indication for the public at this time as to who will succeed Hary White as U. S. Executive Director of the Fund, Mr. Snyder told an inquirer. He said: "I have no information on that," when asked whether Mr. Eugene Black might assume Mr. White's post.

To another question, Mr. Snyder said there had been no inquiry from Britain for further financial aid, and that the NAC had not discussed the matter. Nor has Britain made any suggestion of postponing the July 15 date for the convertibility of sterling. There have been no estimates made of the impact of sterling convertibility on the U. S. A. and the world financial position.

* * *

Mr. Snyder indicated there is no plan to published revised estimates of revenues before June 30, despite Senatorial interest in the matter.

* * *

As to taxes: "I have never changed my position about the timing of any tax reduction. When we have a balanced budget assured and when we have made a proper application toward reduction of the debt and when the inflationary trends are arrested, then is the time that we will consider tax reduction appropriate. . . . We don't know what the total expenditures for fiscal 1948 are going to be, and it is pretty difficult to take a position in tax reduction when we have a speculative action as to appropriations."

To a comment that the President has been charged with playing politics with taxes, Mr. Snyder asked: "What is Mr. Knutson doing?"

Asked whether the NAC is considering loans to Eire or India, Mr. Snyder replied: "There is no application from either."

To a final question on losses on military currency, Mr. Snyder answered that it is a War Department function to give the public a final report.

First Boston-Harris Hall Underwrite Southern California Edison Pfd. Exchange Offer

The First Boston Corp. and Harris, Hall & Co. (Inc.) are heading a nationwide investment banking group of 188 firms which is underwriting the exchange offer by Southern California Edison Co. of its new 4.32% cumulative preferred stock and new 4.48% convertible preference stock in what is believed to be the largest preferred stock refunding operation ever undertaken by a public utility.

It involves the exchange of 1,653,429 shares of the preferred and the same number of shares of the preference stock for the 1,907,256 shares of the company's 6% preferred stock, series B, and the 1,399,602 shares of its 5½% preferred stock, series C, now outstanding.

Under the terms of the offer, which will expire May 26, holders of the presently outstanding issues will be afforded the privilege of subscribing to the new preferred and preferred stocks at the rate of one-half share each of the new issues for each share of the old, plus accrued dividends on the latter. All shares of new stock not taken by stockholders under the exchange offer will be sold to the underwriters for cash and the proceeds applied to the redemption of the old stock at $28.75 per share.

As dealer-managers, First Boston and Harris, Hall have formed a group of approximately 800 securities dealers to solicit acceptances of the exchange offer.

Kalenik Opening

WASHINGTON, D. C.—Frank A. Kalenick will engage in a securities business from offices at 4569 Shaw Drive, N. E.

Our Reporter's Report

Some people who have been among the most aggressive in setting up syndicates to bid for new issues are commencing to wonder if, under prevailing circumstances, the ultimate return is worth the work and trouble involved.

In certain such quarters, at any rate, there is admittedly a tendency to forego such operations, and merely to standby and participate in groups organized by others.

Right along it has been the practice to move immediately to organize a group once it became evident that a company was contemplating a piece of new financing.

But of late such reports have been coming too fast, and failing to materialize too frequently, according to those who are finding their patience tried.

These people complain that you go through the motions of forming a group, usually on the barest of details of what the potential issuer has in mind, only to find that before the scheduled date members are pulling out or the business falls considerably short of expectations.

Among those who are feeling a bit blue over the matter, the consensus seems to be that the extensive service involved, plus the loss of time and the expense, mount up to make it too much of a gamble. Very likely, however, a run of satisfactory undertakings might suffice to bring a quick change in this drab sort of thinking.

Good Absorption

Underwriters had little to complain about in connection with recent huge offerings judging by reports of progress made in the distribution of the three big issues brought out last week.

The 700,000 shares of new E. I. du Pont de Nemours & Co., preferred stock moved out fast and is reported ruling at a premium of 1 to 1½ points on the bid side. Meanwhile the State of Illinois vast Soldier Bonus bond issue, $300,000,000, likewise was placed quickly and is commanding a premium.

And although the recently offered Consolidated Edison Co. of New York bonds are reported still available it is understood that by far the bulk of that big issue, $100,000,000 has been placed.

Cudahy Packing 2⅝s

Public offering of Cudahy Packing Co.'s $15,000,000 of new series C first mortgage bonds, was made Wednesday. The issue was officially awarded on Tuesday following the receipt of a single bid on Monday.

Having paid the company a price of 98.521 for the bonds, the banking group handling the issue reoffered it on the basis of 99½ to give the purchaser a yield of about 2.657%.

Proceeds will be applied to the redemption of outstanding 3% series B bonds, marketed in 1944 and maturing in 1964.

Southern Pacific

Setting of a minimum price for its forthcoming bond issue by Southern Pacific Co. presents a different situation than that which confronted bankers earlier this year when Birmingham Electric Co. called for bids on an issue of preferred stock.

In touching on Southern Pacific operation here a week ago, it was incorrectly stated that the situations were similar in that respect.

It has since been pointed out to the writer that in the case of Birmingham Electric, the company set the dividend rate for the stock, whereas in the case of Southern Pacific the bidders will name the interest rate as well as the price.

Koppers Stock Due

Aside from Southern Pacific's $22,500,000 of San Francisco Terminal bonds, which will be up for bids next week, investors will have the opportunity of looking over a substantial common stock offering.

Bankers are planning to market 200,000 shares of $10,000 par common of Koppers Co., Inc., with the price to be determined by market conditions at the time.

Proceeds will be used by the company for expansion of its activities in the field of chemical operations.

With M. H. Murch & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—Boynton D. Murch is with Maynard H. Murch & Co., Union Commerce Building, members of the Cleveland Stock Exchange.

A Safe Investment Policy

By ROGER W. BABSON

Mr. Babson, after reviewing international conditions in light of U. S. responsibilities, advises putting 50% of one's assets in good bomb-proof common stocks and 50% in cash or Government bonds.

I am writing this column near the exact center of the U. S. In fact, there is a monument on U. S. Route 36 here in Kansas which reads as follows:

"San Francisco 1694 miles—West
Boston 1702 miles—East"

Everyone who reads the above marker must decide whether he is to go East or West—or stand still. But if one stands too long by this monument he will ultimately collapse. This to me illustrates where America stands in the world today. If we continue with our present cowardly policy of do-nothingism, we will ultimately suffer as selfish isolationists in a starving and angry world.

Roger W. Babson

On the other hand, it is only fair to say that we run some risk in leaving our present position. If we leave, we must go either East or West. Which direction is the best to take no one now knows. One road can lead to war, while the other can lead to peace; one road can hasten the great depression, while the other can postpone it; one road may lead to stagnation, while the other to a religious awakening. But I repeat that today no one can see where either east or west will lead us.

Policing the Seas

As isolationists—we could enjoy a few more years of good business whatever we do. Embarking, however, on some big world program would postpone depression, unemployment and communistic uprisings. It is even possible that the thought of world power with its promises of "prizes for all" could electrify America and bring about a temporary boom exceeding anything this country has ever witnessed.

"Policing the seas" need not be an expensive affair, nor require many men if we will stick to the English method. We already have a navy and airforce sufficient to police every port of the world. If we will be content to police the ports, we will merely use the policy which the British followed for 100 years most successfully. Witn modern bombs this should be easier and less expensive than was the British experience.

What About UN?

The United States should make clear from the first that we are only "pinch hitting" for the United Nations. We would agree to drop out of the picture as soon as the UN is organized to do the work. We could even ask the UN to make a contribution to our U. S. expenses. Russia might "jump the gun" and sweep down and take the Dardanelles; but Russia could not hold the Straits.

Instead of this new U. S. policy "killing the UN," as some forecast, it might speed up the UN and make it function. Mr. Truman's policy may be the making of the United Nations. Again I say that only the future can tell; but we cannot continue with mere talk, as at present, even though both the American and Russian ideologies are in the test tube and laboratory stages.

Civil Wars May Be Needed

It will take much self-control for us to be content to "rule the waves." Both foreign nations and groups within our own country will constantly urge us to send an army into certain countries. This could be our downfall. We should be content to let nations indulge in some civil wars and learn for themselves the evils of bad government.

Telling nations Communism is a bad doctrine and will end in disaster will do little good. Most people appear to need to try things for themselves and learn the truth by bitter experience. I hate to see Russia take over any more nations. So long, however, as we protect the ports, their airfields and broadcasting stations and prevent the killing or deporting of liberals; it may be better in the end to let civil war rage now. Besides, Russia will some day collapse through internal revolution or economic errors.

Investment Policy

In view of the above, I am absolutely convinced that the safest investment policy today is as follows: Have about 50% of one's assets in good bomb-proof common stocks which would benefit in case our nation now takes the right road. (Avoid companies with all assets in big cities.) Then have about 50% in cash or Government bonds as a hedge in case our nation should take the wrong road.

With Continental Securities

(Special to THE FINANCIAL CHRONICLE)

GRAND RAPIDS, MICH. — George Kobryn has become connected with Continental Securities Co., Inc., People's National Bank Building.

With John R. Kauffmann

(Special to THE FINANCIAL CHRONICLE)

ST. LOUS, MO.—Jack D. Allen has been added to the staff of John R. Kauffman and Company, 511 Locust Street, members of the St. Louis Stock Exchange.

International Monetary Fund Eyes Geneva

Officials more concerned with trade liberalization progress than with World Bank

WASHINGTON, May 7 (Special to the "Chronicle") — While there has been some talk of merging the International Monetary Fund and World Bank from time to time, as well as realization of the close bearing of the volume and timing of World Bank loans on the credit activities of the IMF, the latter expects to be principally occupied in getting exchange restrictions ameliorated or removed rather than in advancing credit to member countries, it is stated in Fund circles.

Actually, the Fund today is much more concerned with developments at Geneva, where trade and International Trade Organization discussions are under way, than in the World Bank. For, as was recognized by the Bretton Woods conference in 1944, the ITO is to be the other arm of world monetary and commercial cooperation. The Fund was given at BW important foregn-exchange powers, whose identical purposes can be either achieved or negatived in the trade field. The restrictions on commerce are as effective as exchange restrictions.

It is apparent from the reports from Geneva to date that progress there is much slower than would be liked by advocates of the BW approach. Indeed, were the BW Conference to be held today instead of in 1944, it is clear that the nations would not agree to the degree of surrender of autonomy over foreign-exchange policy which was actually witnessed in 1944. The danger is, therefore, that there may emerge from Geneva an organization providing an ITO left arm much weaker than the Fund right arm; and even the prospect that member governments will be free to undo through trade restrictions what they are by the Fund persuaded to do in the matter of exchange regulations.

Questions about trade restrictions are coming up in Fund meetings constantly.

Finance Must Be Linked With Trade Policy

A British correspondent at Geneva reports (in the "Financial Times," London, April 15) the linking of the discussion on multilateral trade with attempts to induce the U.S. to grant financial aid to countries willing to fall in line with American trade policy. The correspondent cites as one piece of supporting evidence the speech of the Chinese delegate which "argued that the best way of increasing the volume of world trade would be to assist China financially."

"Some Americans," he continued, "who did not read too carefully the arguments, in support of the Bretton Woods program, the British loan, the French loan, and the like, may get the impression that we are constantly buying all over again something we paid for before. That of course is not what we did before.

"For example, the impression that by the BW program or the loan to the UK we should be doing away with the system of Empire Preference, is erroneous."

Chinese Borrowing and the Yuan

Ability of government to adjust official rate to market questioned.

WASHINGTON, May 7 (Special to the "Chronicle").—Early in April as an anti-inflationary as well as financing measure the Chinese Government offered two security issues: One, sold for foreign exchange, a U. S. $100,000,000 6% 10-year issue; the other, sold for yuan at the official rate of exchange, the equivalent of U. S. $300,000,000 of three-year 20% notes, payable on maturity in yuan at the official rate of exchange prevailing then. There is in some circles apprehension lest the last-mentioned repayment condition operate to deter the Chinese Government from adjusting the official rate of exchange to reflect market realities. However, at the apparent rate of deterioration of the yuan the question may soon be academic.

In February the Chinese Government did adjust the yuan rate to 12,000 per U. S. dollar. But the latest press reports on the subject state that the black-market rate in Shanghai is now in the proximity of 23,000 per dollar. At this rate, in three years the present yuan would be entirely worthless.

In view of China's past debt record and the chaotic military, political and economic outlook in the country, even 20% interest is reported as not very attractive to Chinese investors, who are more moved by fears of possible Government punishment of private holders of foreign exchange. Punitive measures have not yet been invoked. It is reported that in the black market in China interest rates range from 120% to 240% per year. Even so, whether because of the appeal to patriotism or for other reasons, the initial response to the bond and note issues is said to have been encouraging. What puzzles the outsider is why anyone who can get 20% for a 3-year risk should lend for 10 years at 6%.

With White & Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Edward A. White has become affiliated with White & Company, Mississippi Valley Trust Building, members of the St. Louis and Chicago Stock Exchanges.

Shreve Heads U. S. Chamber of Commerce

Earl O. Shreve, of New York City, Vice-President of the General Electric Company, was elected President of the Chamber of Commerce of the United States at a meeting of the Chamber's board of directors on May 1.

Earl O. Shreve

Mr. Shreve will succeed William K. Jackson, of Boston, who is recovering from a protracted illness.

Henry Luders Joins Cresap, McCormick Co.

Cresap, McCormick and Paget announce that Henry C. Luders has joined their staff as a senior associate. Mr. Luders formerly was associated with Stewart, Dougall & Associates, New York City, and Booz, Allen & Hamilton, of Chicago. Prior to that time he was account manager for Brown Brothers Harriman & Co.

He is a graduate of the University of Illinois and of the Harvard Graduate School of Business Administration.