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Belgium's Remarkable Recovery

By EGON KASKELINE

With government controls abolished, food situation almost normal, industrial production high, employment full, and ordinary budget balanced, nation is a European bright spot. Postwar battle against inflation successful. Complete recovery depends on solution of labor shortage and high price problems. Policies based on freedom from government planning.

Egon Kaskeline

BRUSSELS, BELGIUM—Belgium is the only one among the formerly occupied countries in Europe which has found its political equilibrium, which has successfully struggled against inflation and which is increasingly winning the battle of production. According to all indications, this writer found during his visit to Belgium, this country is definitely back on the road toward internal peace and prosperity. This will not mean that all difficulties, left behind by five years of war and enemy occupation, have already completely been

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The Banker's View of Business

By DWIGHT W. MICHENER*

Associate Director of Research, The Chase National Bank

Holding careful observation reveals present situation is a boom, bank economist points to increasing inventories, price and wage advances, and low interest rates as expanding bank loans and causing inflationary trend. Foresees heavy export demands declining to normal proportions and price adjustments in offing. Cautions bankers to be on alert and place greater emphasis upon sound but aggressive banking policy in regular business lending.

During the past several months, American business has been showing many evidences of a peacetime boom. Bank credit is widely involved in this boom. Current developments suggest that a period of less spectacular business is ahead of us. If these conclusions are correct, they are of major importance to bankers, and I am very glad to discuss with you something of the current situation and the outlook.

D. W. Michener

First, let us notice some of the evidences of boom conditions at the present time: Industrial activity is now 80% above the level of the five years preceding the war. Products are now pouring out of our factories in record peacetime proportions. Steel is being produced at a rate 30% above the prewar level. Coal is coming out of the ground in far greater volume than before the war. The same is true of the production of

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*An address by Mr. Michener before the 56th Annual Convention of the Tennessee Bankers Association, Knoxville, Tenn., May 8, 1947.

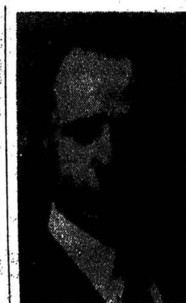
Regulation of Labor Organizations By the States

By DR. THOMAS J. ANDERSON, JR.

Associate Professor of Economics, New York University

Prof. Anderson concludes from widespread survey that State action is necessary accompaniment of Federal legislation to determine legal responsibilities of union management, adherence to agreements, financial responsibility, and reporting of financial operations. Asserts comprehensive legislation needed in more industrial States.

As the problem of adopting comprehensive Federal regulation of labor organizations is being debated by Congress it is well to take note of a companion movement among the States.



Thos. J. Anderson, Jr.

Union regulatory law has been in a process of development among the States for more than a decade, and recently the movement has assumed great activity. Since the beginning of March, for instance, Indiana has enacted a comprehensive law dealing with strikes in public utilities; Idaho and Oregon have dealt with the secondary boycott; Arizona,[1] Texas, Georgia, and Iowa have placed bans on the closed shop; New Jersey has amended its law regulating strikes and lockouts in

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[1] Arizona implemented, by statute, a constitutional ban on the closed shop. This summary of State regulatory statutes is based upon texts of such laws included in the volume on *State Laws* of the *Labor Law Service* of the Commerce Clearing House, Inc.

No Drastic Recession!

Lionel D. Edie, testifying before Senate Finance Committee, predicts for 1947-1948 moderate readjustment of national income, employment, and prices from current peaks.

Testifying before the Senate Finance Committee April 30, Lionel D. Edie, Economic consultant and investment adviser of New York, predicted an orderly readjustment of the nation's economy over the next eighteen months. For the calendar year 1947 he foresees a 10-point drop in the Federal Reserve Board Index of industrial production, to 180. The stenographic testimony of Mr. Edie's testimony on this factor follows:

Lionel D. Edie

Mr. Edie: My remarks are directed to the general business outlook. I shall not attempt to translate that into estimates of what tax revenue would be at such a level of business, but rather shall try to confine myself to the probable developments in business.

For this purpose it is necessary to make use of certain index numbers, and I think that every one is fairly familiar with the Federal Reserve Board Index of industrial production. This is a physical volume index and is not affected by changes in prices.

In the calendar year 1946, this index was 170. Since that time the index has risen substantially and at the present moment is probably in the neighborhood of 188 to 190.

In other words, 18 to 20 points higher than the calendar year average 1946.

Now, the question as to what happens next to that production index involves a great many factors. As we know, there are many questions today as to whether there is going to be a business recession. There is a wide difference of opinion on that.

I would like to observe at the start that we don't assume that the

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The International Bank and World Trade

By CHARLES C. PINEO*

Loan Director, International Bank for Reconstruction and Development

World Bank official, after reviewing pre-war handicaps to world trade, points out objectives of Bretton Woods were to protect interests of all countries from currency evils and to give assistance to devastated and underdeveloped countries. Contends experience after World War I demonstrated private lending could not accomplish these objectives. Reveals Bank has present loanable capital of $725 millions and has loan applications totaling $2,554 millions. Concludes although Bank loans will benefit everyone and will restore world faith in future, alone, it cannot revive world trade.

I have come to speak to you today on what the International Bank can do for world trade. I had intended to confine myself entirely to the International Bank, and to make no reference to the functions of its companion organization, the International Monetary Fund, for the reason that I am not an officer of the Fund, and do not feel it appropriate that I should enter into any detailed discussion of its operations and technique. In view, however, of the close connection of these two bodies with the subject of world trade, I shall try to give you also, very briefly, a broad outline of the part which the Fund will play.

Charles C. Pineo

World Trade Before the War

Before considering the present position of world trade and the outlook for the future, I would like to remind you of the situation which existed before the war, for it was largely to prevent the recurrence of such a situation that the nations of the world met at Bretton Woods and provided for the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development.

As you all know, free and unhindered trade between countries was rapidly breaking down. One of the major causes of dislocation was a competitive depreciation of currencies and the operation of multiple exchange rates; then there were clearing arrangements and bilateral trade agreements, blocked currency accounts and all that variety of obstruction to the free flow of trade, with which you are all familiar. Every step taken in this direction by every country

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*An address by Mr. Pineo at the Second Bay Area Institute of World Trade, San Francisco, Cal., May 9, 1947.

Says Fund and Bank Will Cost Americans Billions

William Chamberlain, public utility executive, writes Congressman J. Z. Anderson of California, that Bretton Woods Institutions fail to remedy causes of present currency inflation and economic deterioration in foreign countries. Contends institutions will drain this country of its substance without possibility of return. Holds both Fund and Bank are integrated and threaten to take savings from Americans to bolster non-refundable capital assets in foreign lands. Foresees threat to U. S. foreign trade.

William Chamberlain, former President of the United Light & Power Co., who now resides in Saratoga, Cal., has furnished "The Chronicle" with a copy of a letter dated April 25 to Congressman J. Z. Anderson, (R-Cal.), in which the financial, economic and political effects of the International Monetary Fund and the World Bank are analyzed. Mr. Chamberlain in previous issues of "The Chronicle" (April 25, 1946 and Oct. 17, 1946) discussed similar matters relating to currency and finance.

William Chamberlain

The text of Mr. Chamberlain's letter to Representative Anderson follows:

April 25, 1947

My Dear Congressman:

In reply to my letters of a year ago expressing opposition to proposed foreign loans and advancements aggregating $20,000,000,000, a major portion of which was earmarked for Russia and its satellites, you suggested that I write you additional letters covering such phases of our fiscal policies as I felt disposed to discuss. I am accordingly writing you today respecting the Stabilization Fund and International Bank established by BW Agreement.

You may suggest, and not unreasonably, that these measures were fully discussed before the 79th Congress which bears responsibility for their adoption, and that further discussion at this time is futile. My answer is that while it is true that the Bretton Woods Pacts were creatures of the 79th Congress, they are to operate under the 80th and subsequent Congresses, and many additional billions of American dollars must be appropriated for their operation. Plans are also in the making by the Bank for the flotation of great public loans in America. The money thus secured is to be loaned abroad and is in addition to the money provided by Congress.

It is true that all provisions contained in the measures were before the members of the 79th Congress. But certain recently announced decisions by the Boards of these Institutions could not have been known and probably were anticipated by neither you nor your colleagues. They throw great illumination upon the purpose and policy of the Institutions as now interpreted and claimed by their managements.

It is to these announced decisions that I wish particularly to direct your attention. The first is an announcement by the Fund fixing prices or "parities of exchange" for the currency of the member nations. These parities are stated in terms of the U. S. dollar which is adopted as the standard. The second is an announcement by the Bank's officials that the loanable funds of the Bank must come almost exclusively from citizens and institutions of the United States aided by such sums as Canada may contribute.

I
The Stabilization Fund

I do not propose to review or analyze the mechanisms of the Fund or Bank, prefering to discuss each from the standpoint of the basic principles involved and to point out the manner in which, under the policy of artificial price pegging as now announced, each must inevitably both promote and perpetuate the very condition it is proclaimed to cure. I also propose to make it abundantly clear that the pegging of the prices of foreign currencies at artificial levels far above their open market quotation constitutes nothing less than a crudely concealed device under which billions of American tangible wealth is proposed to be

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Some Comments on the Question: 'Is the Money Supply Too Large?'

— Additional Opinions Invited —

In an address published in the "Chronicle" of May 1 (cover page), Howard R. Bowen, Economist, Irving Trust Co., New York City, expressed the opinion that the present money supply (currency in circulation and bank deposits) is not too large and presented various reasons in support of his thesis. Because of the broad interest in the subject, the "Chronicle" has requested comments on Dr. Bowen's article and on any related phases of the subject. Below we produce some of the responses already in hand; others will appear in subsequent issues. We repeat our invitation for comments on the subject and request that letters be addressed to Editor, "Commercial and Financial Chronicle," 25 Park Place, New York 8, N. Y.

JOHN J. ROWE

President, Fifth Third Union Trust Co., Cincinnati

The question "Is the Money Supply Too Large?" which has been commented upon so ably by Dr. Howard R. Bowen is, in my opinion, one of the major questions today.

John J. Rowe

So much has been written about the inflationary aspect of our money supply that this particular question should be developed as much as possible.

It comes as a great surprise to many people, who have not watched figures on total bank deposits in this country over decades, when they are told that total bank deposits practically do nothing except increase, except for occasional minor, temporary drops. A drop in deposits of all Commercial Banks occurred temporarily in 1921, after having more than doubled from 1914 to 1920. The temporary drop at the year-end of 1921 was about 5% of the total, but by 1923 total deposits had risen 15% from the low point. A decline in total deposits began in 1929, and reached a low point by mid-year 1933, but there had been a terrific liquidation of private debt during that period, and it marks almost the only sustained decline in total deposits for 100 years, and was followed by the usual steady annual increase in total deposits up to the manufacturing activity caused by the European war, deposits taking a great jump in the year 1941.

During this period from 1941 through 1945, the corresponding increase in the asset account of banks, to counter-balance the

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Self Praise

"The Securities Business Comes of Age," a brochure by Elizabeth Frazer, reviewed. Stamped as a biased effort savoring of paid advocacy in public relations. Circulation by NASD condemned as self praise and unworthy indoctrination. Pricing policy decried. Need for an unbiased appraisal of the Maloney Act and the NASD urged. Author's claim that this legislation and this Association constitute a model for business generally examined and found wanting.

Latterly, the members of the National Association of Securities Dealers have been receiving, through the United States mail, a brochure by Elizabeth Frazer bearing the title "The Securities Business Comes of Age" upon the reading of which we venture the observation that it is doubtful whether the author ever will.

It is a honeyed panegyric, utterly partisan, a public relations effort intended to place into acceptable, nay glorious, relief, the Maloney Act and its baby, the National Association of Securities Dealers.

In it, the principle of forthright reporting is recognized for its complete failure of application.

It is a one-sided paean of praise under the faithful wings of which—to mix metaphors—the Maloney Act and the National Association of Securities Dealers are sheltered.

According to the terms of this booklet, the amendment to the Securities Act of 1934, the Maloney Act, and its product, the National Association of Securities Dealers, together constitute a model in local self-government, fair practice, member responsibility, salesman-customer relationship, pricing policies, profits and commissions, and self-discipline.

With roseate optimism, the author tells us: "To men engaged in industry, management and public affairs, the

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A Look Into the Future

By RAYMOND RODGERS*
Professor of Banking, New York University

Dr. Rodgers criticizes forecasts based on dead figures, and ascribes present check on high prices to public's belief prices will come down. Holds quantity theory of money and credit has been exaggerated and says, despite ballyhoo, we shall not have long or severe depression and no repetition of 1920. Foresees, however, heavy backlog of business failures and concludes price structure is vulnerable but price declines will benefit country and cost cutting "will become more fashionable."

The greatest war in history has left us many legacies. Some of these legacies are clear, direct and unmistakable, such as our public debt; others are more indirect and less predictable in their economic consequences, such as our greatly expanded total of money and deposits.


Raymond Rodgers

At the end of the war, those experts who explain everything in terms of the quantity theory of money, took one look at our vast total of war-created purchasing power and promptly told us that we would have wild inflation. And when they said inflation they didn't mean the 50 to 75% increase we now have in prices; they meant the real thing! Of course, they didn't mean that we would have as much inflation as they have had in Hungary, for example, where the cost of living index in 1946 (July) stood at the astronomical figure of 16,600,000,000,000,000,000,000 as compared with 100 on Aug. 26, 1939, but the experts did mean that prices would stay high as long as we had so much money and credit in the pockets of our people and on the books of the banks.

Those of us who were unorthodox enough (from the viewpoint of the quantity worshippers) to emphasize our increased productive capacity in nearly all lines of agriculture and industry were given short shrift by the true-believers. The peacetime implications of our wartime ability to carry a large part of the production burden of the entire world seemed to escape them. The economic implications of our enormous increase of industrial productive capacity during the war and the continuation of that increase of our productoin facilities at an even more rapid rate after the end of the war likewise were overlooked. Now, however, paradoxically many of these self-same prophets of inflationary doom are forecasting deflationary disaster.

In the words Bruce Barton used in another connection, I say, "What can a man believe?"

Why hasn't our huge quantity of purchasing power cleared the shelves of every merchant in the country? Why do we have over $150 billions of liquid assets and current purchasing power in the hands of people wanting goods, and yet inventories of goods accumulate to the dangerously high total of $37 billion, of which $21 billion is in finished goods in the hands of manufacturers alone?

Not Figures, But Emotions

I think this situation is due to the fact that most economists and and many business men make the mistake of relying too much on dead figures and paying too little heed to the living humans whose hopes and fears are the basic "prime movers" in economic affairs. They interpret quantitative data on the basis of the old assumption that *homo economicus* is a rational being. How anyone can view the record of Hitler in Germany, Stalin in Russia, and our own planners in Washington and fail to realize that man is an emotional, almost hysterical, being far removed from the calculating, reasoning creature postulated by the economists is more than I can understand!

The Washington planners' estimate that we would have, at the end of 1945, 8 to 10 million unemployed was just such a quantitative mistake. In the same fashion most economists have overemphasized the importance of the pent-up demand and the accumulated savings of the people. They seem uniformly to overlook the fact that the American people have a

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*An address by Dr. Rodgers before the 55th Annual Convention of the Georgia Bankers Association, Savannah, Ga., May 7, 1947.

BUSINESS BUZZ

"The best I can do is a very comfortable chicken coop in outer Bayonne!"

Recession Now Under Way!

By MARCUS NADLER*
Professor of Finance, New York University

Pointing out our economy will assume a more normal character with return to a buyers' market and keener competition, Dr. Nadler contends peak of commodity prices has been reached. Says, however, there'll be no repetition of 1920 and no reduction in money wages, though profits will come down. Warns we are not yet entirely "out of woods" and careful study should be made of present problems.

We are living in a confusing age. About a year ago we were told that unless wages were raised we would be in for a very serious depression.


Dr. Marcus Nadler

Well, we know the pattern of wages that took place last year—everything went along pretty well, and now we are told that unless prices are reduced and we raise wages again, well, we are in for a period of inflation. In other words, as the saying goes, nowadays you really don't know what to believe.

But the fact of the matter is, if you look carefully, if we do not indulge in any wishful thinking, the situation is as follows:

The long expected and long advertised recession is here. To be sure, you don't know it, the figures as yet do not indicate it, the national income of the country is still running at $175 billion per annum, and employment is plentiful. The index of industrial activity as prepared by the Board of Governors of the Federal Reserve System is 189 or 190.

While these figures, therefore, reflect prosperity of the highest degree, at the same time, if you talk to people who are, say, engaged in the production of ladies apparel, or in cosmetics, or in frozen foods, and tell them that the country is very prosperous, they will just ask, "where is this prosperity? I don't see it. My men are working two or three days a week, and the demand for my products is decreasing."

Building Activity

What is of greater importance to business in general is the fact that building activity is not materializing. In fact, building activity, instead of increasing at the present time, as it should, is actually decreasing. And as you know very well, that building activity, the construction of homes and factories, plays a very important role in our economy.

The reason why the construction industry is not going ahead, as generally expected, is primarily due to the fact that costs are too high. Building materials are too high, building labor is too high,

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*An address by Dr. Nadler before the American Spice Association, New York City, May 5, 1947.

Washington . . . And You

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

If a long shot takes your fancy, you can now bet the President won't veto the tax reduction bill. The odds will narrow shortly, may be close to even when the legislation drops on the President's desk around this month-end.

The Senate Finance Committee has minimized the veto potentiality by (1) advancing the tax cut effective date from January 1 to July 1, and (2) shaving from 20% to 15% the reduction on taxable incomes of $79,728 to $302,396. The Senate will vote these changes, the House will accept them. The President can — if he wishes —sign this compromise without losing face.

* * *

In the long run, political motives will dictate the President's decision. Watch the Senate vote for a signal. Some Democrats will back the bill. If they're important in number and influence, Presidential OK is more certain. A converse situation might elbow Mr. Truman into a veto message.

* * *

House Ways and Means tax hearings slated to commence May 19 will be largely limited to business relief. That is to be stressed in the 1948 general tax revision law. Hearings emphasis will fall on double taxation and the excise tax system. Up for scrutiny also will be taxing of stock options.

* * *

It's too previous for a guess, but reduction of some tobacco excise levies may be written into next year's revenue bill. Also watch for some form of tax adjustment calculated to prevent the Big Three from swallowing the entire tobacco industry.

* * *

The soft drink makers are haunted by that old witch — a Federal excise on their beverages. There was one during World War I. It has been considered but rejected several times since then. It will be advocated — and resisted — again during the coming Ways and Means Committee discussions. The Treasury has estimated a

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Two Pressing Uncertainties—Labor Strife and Inflation

By REV. BERNARD W. DEMPSEY, S.J.*

Regent, School of Commerce and Finance, St. Louis University

Father Dempsey contends nation has been saved from postwar collapse similar to that of 1920 because quoted prices have not risen as fast and people spent their savings at a faster and steadier rate than after World War I. Says basic uncertainties of labor-management relations and of inflation cloud outlook, and warns against owners, workers and government proceeding on a fallacious class conflict basis that prevents cooperation for the common good.

One of man's special blessings is his capacity for adjustment. When we are confronted with genuine difficulties, which in prospect we were certain we could not bear, we sometimes astound ourselves by the resources we can call up in the crisis. This capacity for adjustment is a work of the healthy organism and we are going to need all of it that we have because there are some real adjusments to be made.

Rev. B. W. Dempsey

Like all virtues and good qualities, capacity for adjustment can be overdone. Man can get used to situations and habits that he should not allow himself to tolerate. He gets into a situation he knows is bad and he intends to do something about it but he doesn't and he soon finds himself living comfortably in circumstances he would have called unnecessary and inexcusable.

This happens to a nation in wartime. War imposes direct and immediate adjustments on everybody, and most obviously on the boy in uniform, but in one form or other on everybody. You find yourself eating oleomargarine, walking to work and wearing a

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*An address by Father Dempsey before members of the Mortgage Bankers Association of America, Kansas City, Mo., May 8, 1947.

Observations . . . .

By A. WILFRED MAY

THE WORLDWIDE CORROSION OF THE INVESTOR

No Class of Security Provides Escape From the Squeeze of the High Cost of Living, Monetary Policies and Taxes

The recent advances in the London securities markets interestingly highlight the position of the would-be capital-conserver in this worldwide era of socialization and inflation. During the current week Chancellor Dalton's warning to Britain's creditors about a partial default on her wartime international debts has caused another sharp rise both in British equities and fixed-income securities.

A. Wilfred May

Such upward trend in share prices in England has been well-maintained over the long-term. Thus the "Financial Times" index of ordinary shares is 36% above 1935 prices, 11% above a year ago, and 5½% over a month ago. American common stocks, as reflected in the Dow-Jones industrial average, in the same 12-year interval, have likewise advanced, but by only 22%.

This leads to curiosity about the stockholder's ability to secure protection against the course of inflation, and the relative welfare of stockholders versus bondholders in various countries.

The Recurrent Recourse To Equities

In the course of the cataclysmic German inflation of the 1920's there was no defense really afforded to the holder of shares or any other class of security, mainly because of the impact of a great variety of state controls. But we find that in the subsequent decade, in all European countries, due to the persistent encroachment of a variety of political and economic elements—including the undermining of the legal rights of the creditor class, and a falling interest rate—in addition to monetary instability; the capitalist again sought refuge in common stocks.

The status of the bondholding *rentier* became increasingly scorned. A study made by this columnist in Europe of comparative price-earnings ratios, and of income yields, shows that Europeans in the Inter-War period were far ahead of Americans in turning to common stocks for capital investment. Thus between 1919 and 1937 the ratio of common stock dividend yields to government bond yields was lower in France, Great Britain, Austria, Italy, and the Netherlands, than in the United States; and this was similarly true of dividend and corporate bond yields since the turn of the century. And a study made by the London "Economist" in 1938 showed that common stock prices had for a long time been secularly rising in relation to total industrial profits.

Similarly in the United States an upward trend in the relative popularity of common stocks has increased considerably right through the War years. A study made by the Federal Reserve Bank of New York shows that at the end of 1945 the spread between the yields on common stocks and corporate and Government Bonds was narrower than at any previous time the records were available.

We thus see that in his worldwide desire to escape the severe political monetary obstacles the investor has turned to common stocks. While this correctly describes his behavior, it leaves open the question of the *success* of such policy. So let us take a look at the net result of the investor's frantic efforts to protect his capital and his real or even actual income.

The Investor's Squeeze Between High Costs and Lowered Income

Here in the United States in the 10-year 1937-1947 period the cost of living charged to the American investor has increased by 54% against an actual decline of about 10% in the common stocks he would be likely to have held (as concluded from the action of the Dow-Jones Average of industrial shares). The bondholder, in addition to being hit by the higher-living costs, would have suffered a 16% decline in the yield of corporate bonds he actually held (through

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Delay in World Bank Loan to Denmark

WASHINGTON, May 14 (Special to the "Chronicle") — The World Bank originally intended that its loan to Denmark would be its first. Later it expected to announce the Danish and French loans simultaneously. But for reasons reported elsewhere in this paper, the French loan was the first to be concluded.

Cause of the recent delay has been the World Bank's desire to have the assurances of the British Government that it will not press its claims of £35,000,000 against Denmark, claims representing trade balances in Britain's favor. The British appear to have been unwilling to give such assurances but on the other hand have made it known to the Bank that they intend to do nothing which would prejudice Denmark's chances with the Bank.

Denmark will soon get the loan; probable $20 million for 1947 and $30 million for 1948.

Grigg Quits Bank

Sir James Grigg, British executive director of the World Bank, whose impending resignation was reported in these columns some time ago, this week leaves Washington for good. It is believed that his successor will be R. Gordon Munro, British Minister in Washington. The Bank thus loses a colorful personality.

Lobdell & Co. Elects Moffat Vice-Pres.

Lobdell & Co. Inc., 20 Exchange Place, New York City, dealers in United States Government, state and municipal bonds, announce that Daniel Moffat, Jr. has been elected a Vice-President of the corporation. Mr. Moffat has been with the firm for some time.

Attention, Mr. Dalton!

By HERBERT M. BRATTER

Correspondent asserts that Britain expects U. S. moral support toward scaling down sterling debts. Predicts that India's negotiators, regarding Britain "disgustingly affluent," will quote Keyenes' promises. Mr. Bratter lists the prospective India-Britain arguments, classifying them as statistical and moral, and predicts final disposition may rest on our doorstep.

Some weeks have elapsed since Sir Wilfred Eady returned empty-handed from his visit to India and the Near East on a mission to lay the groundwork for disposal of the "blocked sterling" balances, sometimes referred to as Britain's sterling war debt. Now with hearty endorsement of the former Prime Minister, Conservative Leader Winston Churchill, the Labor Government's Chancellor of the Exchequer has taken a new stance for the bout, later this month, with the Indians who, under the leadership of the Finance Member, will undoubtedly voice India's anger at the blunt remarks Mr. Dalton made in addressing the Brazilian Chamber of Commerce in London.

Herbert M. Bratter

The more than £3,000,000,000 of balances now held in London by the Indians and additional sums held by others Mr. Dalton is reported to have described as "fantastic commitments" constituting an "unreal, unjust and unsupportable burden" which must be "very substantially scaled down." Britain now, as all along, looks to the United States for at least moral support in the scaling down of those sterling "debts" on the grounds that they are comparable to Lend-Lease and in effect an albatross around the neck of the ancient mariner who is therefore prevented from getting back on his feet. Secretary of the Treasury John W. Snyder was asked about this at his press conference, as reported in these columns of May 8. The story in fact is tied in with the British-American Financial Agreement of December, 1945, and with the evolution of the Bretton Woods Agreement for an International Monetary Fund. The Indian viewpoint on the question is less appreciated in this country than that of Britain, as may become apparent when shortly at London the Indians launch their shafts at Mr. Dalton.

The Case For A Scale Down

The British case for substantial scaling down of the sterling balances held by India, Egypt and others is based upon a variety of arguments. These may be divided into two parts: those arguable with statistics, and the more simply stated case that equity demands cancellation of a large part of the debt. In either case, the Indians all along have disagreed.

Before the BW Conference in 1944 the Indians wanted the proposed World Fund to gradually convert India's sterling balances into dollars or other hard currencies. There was in fact considerable support for the idea in the American Government, until the still growing sterling balances had become so large as to make their inclusion in the scope of the

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Why the Scare Campaign?

By ROBERT W. COYNE*

Executive Director, American Theatres Association

Mr. Coyne deplores economists' scare campaign and cites facts and figures indicating a continuation of prosperous conditions. Urges cessation of ghost chasing and calls for an attitude on business conditions based on known factors.

We are in the midst right now of a scare campaign without precedent in my experience. Column on column of newspaper space, paper after paper read by real and near economists, speech after speech by politicians of varying quality are calculated to instill in the American people a feeling of distrust and uncertainty as to what the immediate future holds.

Robert W. Coyne

No economist as far as I have been able to ascertain has been able with precision to ascertain the causative factors of a depression and isolate them from the effects. Yet with bland assurance and with funereal intonations they use a fine tooth comb and come up with specks of imperfection which they extrapolate ingeniously and whip up to the proportions of major storm signals. They ignore or brush aside with disdain optimistic harbingers, for those factors are too obvious and do not lend themselves to the "viewing with alarm" type of thesis.

I think it timely that we look seriously and be guided in our attitude by some factors that indicate we are not on the brink of disaster but have adequate reason to see good times for a substantial period ahead.

Prosperity Factors

I would list as some of these factors:

(1) The National Debt has been decreased from the peak of \$279½ billion in February 1946 to about \$258 billion as of the present time. This reduction has been in the area of bank borrowings, considered the most inflationary part of our debt.

(2) Liquid assets in the hands of individuals are at an all time high of 192 billions of dollars as follows: Government securities, \$63½ billion; checking accounts, \$42½ billion; currency, \$25 billion; savings accounts, \$49 billion; savings and loan, \$8½ billion; postal savings, \$3½ billion. This \$192 billion, mind you, compares with \$56½ billion as of Dec. 31, 1939.

(3) Income payments to individuals in current months are at

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*Part of a talk by Mr. Coyne before the Life Underwriters Association of New York City, New York, May 6, 1947.

British Not Exceeding Expected Loan Withdrawals, Says Secretary Snyder

Treasury Secretary also discusses Lend-Lease and Britain's "War Debt" status.

WASHINGTON, May 14 (Special to the "Chronicle")—Asked about British Loan withdrawals, now totaling \$1,750 millions, at his press conference today, Secretary of the Treasury J. W. Snyder did not think they have exceeded original expectations to any great extent. "It is a little larger than the first estimate over a year ago. But it is not going to be too much out of line."

John W Snyder

Secretary Snyder stated that the Treasury had not received any report on the progress of lend-lease negotiations with Russia.

Asked for plans as to the lending capacity of the Export-Import Bank after June 30, the Secretary said the matter had not been discussed by the National Advisory Commission, adding: "There is no change in the policy of the Export-Import Bank up to now. Nor had there been any discussion of the \$500,000,000 earmarked in the bank for China." Asked what happens after June 30 to the sum now earmarked until that date for China, Snyder merely replied: "We will have to let you know about that."

To an inquiry as to whether the NAC is discussing any loans which the press is not acquainted with. The answer was in the negative.

Snyder stated a new Commissioner of Customs has not been selected.

Regarding the fact that last week's bill offering was \$1,200 instead of \$1,100,000,000. Snyder said that the maturity of some certificates had been given some consideration: "We have to measure all those elements."

When asked about the surplus coming down rather sharply in recent weeks. Snyder said the Treasury has not changed its estimates that there will be on June 30 a surplus of \$1,250,000,000.

Concerning Britain's "war debts" and his remarks thereon during his press conference last week, Snyder observed: "The United States has not changed its attitude one bit. They have asked the British Government, as I have tried to state in very distinct terms, to consult with their creditors and negotiate settlements. We have not indicated how they should make them. That is a matter of negotiation between the two countries. These settlements may or may not involve scaling down."

Chicago Board of Trade to Close on Sats. in Summer

CHICAGO, ILL.—Directors of the Chicago Board of Trade have voted to close the cotton and securities trading operations on Saturdays, beginning May 31st and continuing through September.

Taft-Hartley Bill Is Slave Labor Legislation

By WILLIAM GREEN*

President of American Federation of Labor

Labor leader condemns proposed new labor law as promoting slave-labor and causing complete chaos in nation's industrial life. Says real purpose of legislation is to weaken and destroy labor unions and attacks proposed prohibition of closed shop and industry-wide bargaining, together with right given to sue unions and obtain court injunctions against them.

The greatest domestic issue facing our nation today is whether free trade unionism shall survive and function effectively.

If the anti-labor legislation now being considered by Congress is enacted into law, not only the unions, but every American citizen who works for a living would be adversely affected by it.

William Green

The first result would be wage cuts all down the line, for non-union members as well as union workers, because in modern industry the union wage level sets the standard for all other wages.

Suppose that happens. Suppose the Taft-Hartley slave-labor legislation becomes law and wages are forced down. Do you believe that the great mass of American workers, afflicted as they are today by continuously rising prices, would be able to sustain the blow? Do you think our American economy as a whole would be able to stand the shock of a drastic cut in mass purchasing power? People would just have to stop buying many of the things they need, business would shrivel, production would drop, millions of workers would lose their jobs and our country would find itself bogged down in another dangerous depression.

This not an exaggerated picture I have presented. It is the natural and inevitable consequence of the present drive in Congress to tear down the unions and grind down the workers through punitive legislation.

Of course the sponsors of this legislation deny any such purpose. They claim they have a mandate from the people to adopt legisla-

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*An address by Mr. Green over a nationwide NBC radio hookup, May 11, 1947.

Luthringer Favored as U. S. Executive Director Of World Fund

Special to THE FINANCIAL CHRONICLE

WASHINGTON, May 14—Now that Mr. Camille Gutt is back from his European trip, the resignation of Dr. Harry D. White, American Executive Director of the Fund was scheduled to take effect at the meeting of the executive directors of the Fund held on May 14. Dr. White is reported to have recommended that alternate executive director George Luthringer be named to succeed him, on the grounds that the Fund is such a complicated business that continuity is important in the representation of the United States.

Dr. White—reportedly with the support of Mr. E. G. Collado, former American executive director of the World Bank—believes that Mr. Lutheringer has the best qualifications for the post. Luthringer was formerly on the staff of Mr. Collado, when the latter was in the Department of State.

The suggestion that Mr. Luthringer is the only one equipped to represent the United States on the Fund is not accepted in all quarters without question. Some reason that the desired continuity could be had by retaining Luthringer as alternate executive director and appointing a new executive director.

A Few Facts About the Over-the-Counter Securities Market

BY FRANKLIN ESCHER

of Dresser & Escher, New York City

Pointing out over-the-counter market is larger in volume of issues and in transactions than business of all U. S. stock exchanges combined, Mr. Escher maintains that dealings "over-the-counter" require not only the same breath-taking speed and care as transactions on organized exchanges, but also necessitate more confidence and specialized services from broker or dealer. Says services of broker or dealer in off-board transactions should carry compensation and stresses "counter market" is regulated, contrary to popular opinion.

Just how big, how important, is the Over-the-Counter Market? Some idea as to that can be gained from the fact that, during the course of a year, the National Quotation Bureau (a service used largely by investment dealers) quotes around 25,000 securities, and that frequently, in a single day, there are quoted as many as 5,000 separate issues. This compares with 1,348 stocks listed on the New York Stock Exchange.

Franklin Escher

How about volume? Well, as to that, no one knows exactly, but estimates run anywhere from a volume at least equal to that of any other market in the world to a volume twice as great. The largest New York Stock Exchange commission house in the country, Merrill Lynch, has this to say on that subject in one of its recent publications ("Off-Board Securities Market"): "One of the most vital but least understood sections of the investment business is the off-board market. In the number of securities traded it is larger than all U. S. stock exchanges combined; in volume of trading it equals or exceeds all organized exchanges."

Over-the-Counter Securities

What are some of the securities traded in the Over-the-Counter Market?

In the first place, U. S. Government bonds, which are listed on the New York Stock Exchange, but which daily trade over-the-counter to the extent of several hundred million dollars. Then, of

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Not an Anti-Labor Bill

By HON. ROBERT A. TAFT*

U. S. Senator from Ohio

Sponsor of Senate Labor Bill denies proposed measure is in opposition to unions and contends it is for purpose of aiding small business and individual worker against tyranny of labor leaders. Says Wagner Labor Act is one-sided and unjustly administered. Holds labor leaders have too much power and new bill will tend to bring lasting labor peace.

The Senate Labor Relations Bill will be passed this week by the Senate in substantially its present form. The Senate has inserted three important amendments in the Committee bill which had been rejected by a vote of 7-6 in the Committee.

Robert A. Taft

The bill has been violently attacked by labor leaders. It has been attacked by industrialists because it does not abolish all union shops, and nation-wide collective bargaining. Nor did the amendment which I offered propose to abolish nation-wide collective bargaining. It has been attacked by manufacturers because it does not restore direct Federal Court injunction in labor disputes, except in a nation-wide industry strike where national safety, or health, is in danger. And then, only for a period of sixty days, until further mediation efforts can be made and an election held to determine whether the men wish to strike!

Our committee conducted hearings for six weeks, and listened to the evidence of employers, of employees, of labor leaders, and of labor relations experts. The labor leaders simply opposed all changes in the existing laws, as they have opposed all attempts to reform labor relations for the last ten years. They suggested no remedies of their own. They are now screaming loudly without

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*An address by Senator Taft over a nation-wide radio hook-up over NBC, May 11, 1947.

Czechs Seek Loan from Export-Import Bank

Special to THE FINANCIAL CHRONICLE

WASHINGTON, May 14—Last April the Czechoslovak Government applied to the Export-Import Bank for a $20,000,000 cotton credit for from 18 to 36 months. The Bank's decision on the application is expected to be reached in another week or so. The larger $50,000,000 loan sought by the Czechs last year is now "a dead duck." This is not merely because of the irritations which seemed to be behind the suspension of negotiations as a result of developments in the Paris foreign ministers' meeting, but because the $50,000,000 was to be used for reconstruction, and the Export-Import Bank has now turned over to the World Bank activity in that field, as witness the reference of Denmark to the World Bank when it sought a reconstruction loan.

Czechoslovakia has an application before the World Bank for $350,000,000. This is intended to cover a three-year program. Less than a third of the amount is expected to be needed in the first year, according to one observer interviewed by the writer.

Public Utility Securities

Michigan Gas & Electric Company

Michigan Gas & Electric Company serves electricity and gas to five scattered areas in the lower and upper peninsulas of Michigan with a total population of about 100,000. The largest area served, in southwest Michigan, includes Three Rivers, Dowagiac, Niles and a number of other communities. A little further north the city of Holland and town of Zeeland are served (without interconnection to the larger area). In the upper peninsula the three areas served are not connected, the principal cities being Munising, Marquette, Ishpeming, Negaunee, Houghton and Hancock.

About 66% of revenues are derived from sales of electricity and 34% from manufactured gas sales. In 1946 the company produced only about 18% of its electric energy requirements and manufactured 66% of its gas, the remainder in each case being purchased from non-affiliated vendors. Within the last few years natural gas has been brought into Michigan but is not as yet available to the company, which is now negotiating as to the best possible methods to purchase gas.

In the upper peninsula the principal business activity in the areas served is copper and iron mining, together with lumbering, pulp and paper, quarrying, dairy products, explosives, etc. In the southwestern Michigan areas there are diversified manufacturing activities (including a number associated with the automotive industry), fruit and vegetable farming, resort business, etc.

The average residential electric revenues per kwh in 1946 were 3.6c, somewhat above the national figure for the industry, and average residential usage was 1,200 kwh, only slightly below the national figure. Of the electric operating revenues, about 37% was residential and resort business, 15% rural, 20% commercial, 21% industrial, and 7% miscellaneous.

On April 2, 1947 the company's capital structure had a general overhauling. $3,500,000 First 3¾s were refunded by like amount of 2⅞% bonds due 1976, and $300,000 Serial Bank Notes replaced $337,500 Serial Debenture 3½s. The four issues of old Prior Lien and Preferred Stocks (with dividend rates of 7% and 6%) were exchanged for (or refunded by) $1,400,000 4.40% preferred stock. The 9,625 shares of old common stock were replaced by 120,000 shares of $10 par value. The bonds were offered by Harris Hall & Co., the exchange of preferred stocks was underwritten by Otis & Co., and the common stock was placed by Otis & Co. and Ira Haupt & Co. at 17¾. Of the common stock issue the proceeds of 40,000 shares went to the company for use in redeeming the preferred stock, while 57,226 shares were sold by Middle West Corp. and 22,774 shares by Halsey, Stuart & Co.

The prospectus (pages 6-7) contains earnings summaries for 1941-46 on both an actual and pro forma basis. The pro forma figures reduced to a share basis for the common stock were about as follows:

1946	$2.33
1945	1.35
1944	1.26
1943	1.20
1942	1.23
1941	1.41

Common stock dividends had been omitted during the period 1932-46 due to dividend arrears on the old prior lien or preferred stocks. It was stated in the prospectus that the directors intend to initiate common dividends at the quarterly rate of 30c a share, indicating an annual rate of $1.20 (subject to changes in earnings, cash position, etc.). The stock has been selling recently around 15¼ over-counter, to yield nearly 8%.

Vercoe Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

COLUMBUS, OHIO—Vercoe & Co., Huntington Bank Building, members of the New York Stock Exchange and other leading exchanges, have added Ferdinand J. Kaufman to their staff. Mr. Kaufman was previously with Bache & Co.

With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

RALEIGH, N. C.—Graham H. Andrews, Jr., has been added to the staff of Merrill Lynch, Pierce, Fenner & Beane, 302 South Salisbury Street.

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.

May 29, 1947 (New York)
The "Topper's" Field Day and outing at Westchester Country Club, Rye N. Y.

May 30, 1947 (Atlanta, Ga.)
Georgia Security Dealers Association Annual Outing at Brookhaven Country Club, Atlanta, Ga.

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 20, 1947 (New York)
Municipal Bond Club of New York 14th Annual Field Day at Sleepy Hollow Country Club, Scarborough - on - Hudson, New York.

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

July 22, 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 21 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.

IBA Head for Both Debt and Tax Reduction

Edward Hopkinson, Jr., also advocates shifting of short-term bank-held securities into long-term issues.

In addressing the Buffalo Chamber of Commerce on May 8, Edward Hopkinson, Jr., President of the Investment Bankers Association and a partner of Drexel & Co., Philadelphia, stressed the importance of immediate tax and national debt reductions and urged redemption of a large part of the bank-held government certificates by a new issue of longer maturities that would be absorbed by public and investment institutions.

E. Hopkinson, Jr.

"At the national level, for the past 6 or 7 years," Mr. Hopkinson stated, "we have been passing through a period of unprecedented business activity. Unfortunately, much of the goods produced, while necessary for our national defense and utimately to bring peace to the world, added little to our national economy. You and I now owe a national debt unheard of in amount, and one which would have staggered the imagination even a few years ago. That debt must be serviced, and gradually reduced. Practically everything we buy costs us more, and will continue to cost us more, than the old prices we have been accustomed to. The hands of the clock, no doubt, will be turned back partway, but probably, in most cases, not to the 1940-41 levels.

Continuing, Mr. Hopkinson remarked that "the wartime budget of the Federal Government can and must, of course, come down as we return to a peacetime basis, and the need for our participation in world rehabilitation diminishes. But the cost of state and local government, by reason of the higher wage scales and higher costs of almost every kind of materials, has gone up and must be met.

"I believe, of course, in a balanced budget, and I think our Federal revenues should be maintained, certainly in periods of high business activity, to produce a budgetary surplus. We now have that. I cannot, however, support the doctrine that all the budgetary surplus should be used for debt reduction and that any present reduction in the Federal tax burden is inflationary. On the contrary, I believe a substantial part of the budgetary surplus should be immediately used for Federal tax reduction, else the total tax burden on business and on individuals, directly or indirectly, will actually be increased as a result of the necessity of the states and communities raising more money to operate their governments and pay decent wages to their civil servants.

"Substantial debt reduction has already taken place, principally

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No Depression Unless Government Makes It!

By ROBERT R. WASON*

Chairman of Board, National Association of Manufacturers

NAM spokesman attacks Truman policies and blames them for high prices. Denies industry alone causes depression and ascribes present difficulties to high taxes, excessive wages, and attack on profits. Stresses need of maintaining business solvency, which is best achieved by reducing prices.

President Truman predicts a depression. A slacking-off of confidence and therefore of orders is visible to all of us present. The stock market has stood still for 11 months. Business needs men in the Administration that will state the case for industry and commerce and prevent depression. Every member of the Triple Mill Supply Convention favors lower prices as the cost of survival of every company represented here. Only low prices could have built the acceptance your products received— the solvency of the industries you represent.

Robert R. Wason

The present high cost of living was made by government intervention. It is still playing politics with the economy. The government, buying wheat to feed the world, bids against American housewives for the same wheat. Inevitably the government's action increases the price of bread on the housewife's table. The President supports agricultural prices and the Department of Agriculture buys farm surpluses at prices above parity to keep farm prices from falling as low as parity.

The only ways to increase the purchasing power of the dollar are to quit increasing the number of dollars that bid for available goods and to make more goods available. The government continues to keep money cheap, which of itself increases prices. If government spending could be stopped, prices could be reduced.

The President demands lower prices from industry. Yet he refuses to reduce the price of government by a dime. He demands the right to spend $37.5 billion. Federal politicians take and spend one dollar out of every five dollars earned by every American worker, farmer, family, corporation and partnership.

The American people could save money in bililons of dollars if it paid the President and every Senator a million dollars each year in salary, provided the President and the Senate would spend your money for the welfare of all the people instead of sectional appropriations to assure their re-election. $97,000,000 would be chicken feed to the American people if thereby savings of $6,000,000,000 could be achieved.

Any average American can

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*Part of address by Mr. Wason before the Triple Mill Supply Convention, Atlantic City, N. J., May 12, 1947.

The Present Housing Picture

By FRANKLIN D. RICHARDS*

Assistant Commissioner, Federal Housing Administration

Asserting despite difficulties and problems, there has been a surprisingly large volume of house completions since V-J Day, Housing Administration official points out central problem now is high and disproportionate building costs. Foresees consumer resistance to current high prices and a return to normal competition in housing market. Pledges Federal Housing Administration cooperation with private builders.

In the 18 months since V-J Day there has been a very impressive expansion in the production of basic building materials, starting from sharply curtailed levels caused by the war. In 1946, there was a rapid growth in housing construction and, considering all the difficulties and problems, a surprisingly large volume of completions.

Franklin D. Richards

In the housing field today, the need of the veteran still remains. It is still the keynote of our efforts to produce more housing. The main emphasis is on rental housing, but we are also continuing to encourage the construction of single family dwellings that can be produced at a price within the means of the man of moderate income. To obtain the objective of providing the maximum number of units in the shortest possible time, a great emphasis has been given to the conversion program. It has proved effective both from the point of view of creating new dwelling units with the minimum use of material and also at low rentals. Another means of providing low rental units has been through the construction of 2, 3, and 4-family structures, and, thirdly, we have the program to insure financing on larger rental projects.

The supply of labor and materials will not yet allow complete removal of restrictions and still produce a maximum volume in the moderate price class. So there has been retained a space limitation without price fixing, and a limitation on finished bathrooms. Generally speaking, the industry has found it can move ahead in a much broadened market under those rules.

Rental Housing for Veterans

Rental housing is the main job in the housing program for 1947. An important tool for the job is the mortgage insurance provisions of Title VI of the National Hous-

(Continued on page 36)

*An address by Mr. Richards at Mortgage Clinic of Mortgage Bankers Association of America, Kansas City, Mo., May 8, 1947.

The Hotel Business

C. Dewitt Coffman calls attention to drop-off of business and says break-even point for hotels has risen from 60% to 85% of occupancy.

In a talk at the opening luncheon of the New Jersey Hotel Association Convention at Atlantic City on May 5, C. Dewitt Coffman, First Vice-President of the Hotel Sales Management Association, told his hearers that business of hotels has passed the crest, and a let-up period has come. He urged the hotel men to cultivate a spirit of sales mindedness.

C. Dewitt Coffman

"At the Cornell University School of Hotel Administration a year ago," Mr. Coffman stated, "we talked on the same subject in an endeavor to convince these young hotel-men-to-be that they should never lose sales-mindedness regardless of business conditions. We pointed out to these young college men that business economics changed drastically, — recessions follow booms and depressions are followed by upswings. Most business men, while they ride on the crest of good business, forget what it was like when business was bad and cannot look ahead and foresee that let-up period which is bound to come.

"At that time, the spring of 1946, we read an article from the "New Yorker" Magazine entitled 'The Customer Is Always Wrong.' This article stressed heavily crowded conditions of hotels and the resultant inconveniences that guests suffered. Of course, at this time it is silly to make an analogy of business conditions that existed at that time, because as we all know, conditions are off in the hotel industry all over the country. The big city hotels have a minor drop-off in business on Friday, Saturday and Sunday nights, but the heavy pressure continues on Monday, Tuesday and Wednesday nights. In most resort hotels business is still extremely heavy over the weekends but drops of in midweek."

Continuing, Mr. Coffman stated: "There should be no analogy between 1946 and 1947, but yet in the May 1947 issue of "Holiday Magazine," published by the Curtis Publishing Company, there is a many-paged story complete with illustrations entitled 'The Guest Is Always Wrong.' If a discerning organization of conservative editorial policy like the Curtis Publishing Company thinks the situation is sufficiently serious in the hotel world to devote several pages of editorial space to it, then we of hoteldom had better get sales-minded again.

"As you all know so well, we used to be able to make a profit in a hotel if we were able to average 60% occupancy. Today, the figure on a break-even point is closer to 85% and we had better get out after business to help keep the pressure up.

"An analysis of operating costs of basic items shows that costs have risen from 60 to 300% on a varied field of materials. Beef, for example, is up 152% over prewar prices. In contrast, the average price increases since the decontrol of transient room rates throughout the hotel industry has been only 11%. So it is easy to see that the volume of business pressure must be kept up, and why the break-even point in occupancy has risen so over prewar years."

G. L. Ohrstrom Acquires Rotary Lift Co.

G. L. Ohrstrom & Co., of New York, and associates have acquired Rotary Lift Co., Memphis, Tennessee, manufacturers of hydraulic lifts and elevators. The acquisition was made for investment and no public distribution of securities is contemplated.

George L. Ohrstrom

George L. Ohrstrom has been elected a director and Chairman of the board. Hugh Allan, formerly Vice-President and director, has been elected President, and H. T. Cavanaugh and Merrill Stubbs, partners of G. L. Ohrstrom & Co., have been added to the board.

Rotary Lift Company, established in 1925, was the pioneer in the manufacture of hydraulic automobile and truck lifts used in service stations and garages. Their lifts are used today in all sections of the United States and in foreign countries. Starting in 1935, Rotary has also been manufacturing freight and passenger elevators, lumber lifts and other industrial lifting and labor saving devices, all of the oil hydraulic type. Since the war ended, the company has increased its production on established products and developed several new lifting devices to be marketed shortly. The principal names under which its lines are sold are "Rotary" and "Oildraulic."

Interest Pay. on Republic Of Panama 5% Sinking Fund Gold Bonds

Holders of Republic of Panama 35-year 5% external secured sinking fund gold bonds, series A, due May 15, 1963, are being notified that the fiscal agent, The National City Bank of New York, has received funds to make final payment on account of the interest represented by the May 15, 1942, coupons in the amount of $2.92 for each $25 coupon and $1.46 for each $12.50 coupon. Funds also are available for the partial payment on account of interest represented by the Nov. 15, 1942, coupons in the amount of $18.32 for each $25 coupon and $9.16 for each $12.50 coupon. Distribution will be made at the office of the fiscal agent upon surrender to it of the May 15, 1942, coupons and presentation to it of the Nov. 15, 1942, coupons.

Take Additional Space

Seligman, Lubetkin & Company, Inc., Investment Bankers, have leased additional space on the eighth floor of the Public National Bank Building at 41 Broad Street through Schlang Bros., agents.

High Costs—A Building Problem

By CARROLL M. SHANKS*

President, Prudential Insurance Company

Life insurance executive asserts high construction costs are impeding housing program and creating problem for mortgage lenders in financing GI mortgages. Warns against over-liberal lending.

High construction costs and scarcity of satisfactory materials have made safe lending difficult. The crux of the problem is high costs. The problem of housing for veterans ties in with the problem of high costs.

Carroll M. Shanks

Proper housing for veterans is still an imperative need of the country. Temporary housing is a problem of local, state and national government. There is very little private builders and lenders can do about that. But permanent housing is a different story. There is no lack of financing for homes for returned veterans. The contrary is the case. The problem, however, is one of costs.

Institutional lenders have a very real responsibility to see that where they finance GI's, the property is well built, in satisfactory location and not overpriced. I believe we have a similar responsibility to borrowers generally. The Prudential is financing tens of thousands of GI's through conventional loans, under the Veterans Act, through the provisions of 608 and Title II, and each of the institutions represented in this room is doing likewise. The lender should never, through its lending practices, be a party to encouraging the GI or other borrower to buy a poorly built house, or one poorly located, or one priced too high. Over-liberal lending practices may well lead the borrower into one of these errors with the result of failure, frustration and bitterness all around, including loss to the lender as well as the borrower.

The whole question of cost of housing and houses is one which deserves much more serious attention than it is receiving. That is not to say that there is not a lot of talk about the high cost of building and general to-do about it. Nevertheless, much of the thought and discussion revolved around the high prices and the bearing on them of inflation, scarcity values, scarcity of materials and delays due to uneven flow of materials. On the other hand, I am talking about the increasing cost of housing for some decades past in relation to the cost of other goods and services and wages. Compared to other items in the cost of living, and compared to wage rates and real income and consumer purchasing power, the cost of building has risen in the main steadily for decades—and the end is not in sight. Efforts to solve the problem all too often have included lengthening the term, and increasing the amount of the mortgage loan, and lowering the interest rate. This not only has been a grievous levy on the earnings of the thrifty people who accumulate small sums to lend, but has had the tendency to increase the price which the borrower was willing to pay for a home. The usual results follow when the borrower has paid more than he should for his home. Most legislative attempts to assist have revolved around the question of interest rate and making larger and larger loans available for longer and longer terms. They have been not only not helpful but harmful. Interest rate and terms and amount of loan do not give the answer. They merely help the bidding up of prices.

Effect on Industrial Life

The fundamental trouble lies in the development of our industrial life in this country. We have driven for higher and higher money and real wages and in the main have succeeded by the lavish and ever increasing use of machinery. The result has been that in the case of most products the production per man has increased sufficiently to pay the higher wages and still keep prices from going too high. In building, however, wages have risen but the use of machinery has lagged, production per man has lagged—and the inevitable result is that the price of the product has soared in relation to nearly everything else. These results are so serious that today a very large proportion of our total population cannot afford to purchase unsubsidized homes or live in unsubsidized rental housing. They must live either with benefit of subsidy or in old structures in blighted areas. We are faced either with more and advancing subsidies or with the necessity of somehow streamlining production methods in the building industry, thus achieving lower cost by mass production or otherwise. It is easier to state this problem than to name solutions—but the adaptation of production-line methods to the building industry should not be beyond our powers. The alternative threatens our whole way of life.

*A talk by Mr. Shanks before the Life Managers Association in Los Angeles, Cal., May 5, 1947.

Confidence in Business Outlook Justified

Cloud Wampler,* President of Carrier Corporation and former investment banker, sees good business in next two years even though industrial activity may decline. Says there is evidence "people will get back to work."

American businessmen must learn again how to sell their products, Cloud Wampler, President of Carrier Corporation, Syracuse, N. Y., warned at a luncheon meeting of the Bond Club of Chicago on May 8. Mr. Wampler is a former Chicago investment banker was a member and director of the club.

Cloud Wampler

"Too many of us have forgotten how to sell," Mr. Wampler said. "As you well know, the war years were not years of real competition. Such a situation cannot and will not continue. On the other hand, the return of competition should not make everyone hot and bothered. We have no right to expect the mere possession of goods to mean a guaranteed sale. Furthermore, the buying public will take our products only if the prices are right and real sales efforts put forth."

Pointing out that this statement was not to be considered as reflecting a lack of confidence in the business outlook, Wampler stated his belief that 1947 and 1948 will be years of good business even though industrial activity may not hold at its present high level. He cited the following reasons for this belief:

"First, the accumulated needs for goods is far from satisfied. This need is carried over from the war period and is world-wide as well as domestic. Secondly, our economy has a great capacity to effect orderly adjustments. Many of these are already under way. Two of the most necessary adjustments are a decline in agricultural prices and a decline in construction costs. If worthwhile corrections in these areas can be made during the next six months or so, the economy as a whole has a good chance of holding at a very satisfactory production rate.

"A third point is this. Corporations and individuals are relatively free from debt. Farm and home mortgages are not high in amount. Very little credit is tied up in speculation. Stock market loans are negligible and although inventory loans have expanded considerably these are being watched very closely, both by management and the commercial banks.

"It seems to me that the absence of debt other than that incurred by government is one of the strongest points that can be made against the probability of a depression."

As as example of the pent up demand for goods which he had previously mentioned, Mr. Wampler said that "during the first five months of its present fiscal year, Carrier Corporation shipped more goods than it delivered in its best prewar year and it looks as though fiscal 1947 would be much larger volume-wise than the best war year of the corporation.

"Furthermore, orders are continuing to roll in at a highly satisfactory rate. For many months now our bookings have been larger than our shipments and this is true of each individual month."

In his concluding remarks as he looked ahead to the future, Mr. Wampler said:

"We are not merely in a transition period between war time and peace time economics but are close to a basic shift back toward economic reality.

"This change, already under way, is unlikely to be completed without a 'washing out' of prices that are too high, wages levels that are out of line and working philosophies that fall short of our best effort. It is a change that has followed every prolonged boom and every major war. This process will be termed a recession. I think of this recession as a step down from a Federal Reserve Board Index of 190 to around 145. Naturally, even that step down will be a bit painful. But it will be exceedingly healthy.

"The setback that I think is probable can be avoided if people will only get to work. Today there is some evidence that we will. If we do, there won't even be a recession."

*Cloud Wampler, after 25 years in the investment banking business, in 1941 became Executive Vice-President of Carrier Corporation, one of the leading companies in the air-conditioning field, and has been President since 1942. Over the years he has always taken part in activities outside his immediate business and for the last 3 years has been a National Vice-President of the National Association of Manufacturers. Since moving from Chicago to Syracuse, he has served as both President and Chairman of the Board of the Manufacturers Association of Syracuse. He is presently a Director of the Syracuse Trust Company of Syracuse and of the Marine Midland Trust Company of New York.

George F. King With White, Weld & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—George F. King has become associated with

George F. King

White, Weld & Co., 231 South La Salle Street. Mr. King was formerly manager of the trading department for Kebbon, McCormick & Co. and, prior thereto, was with the Miilwaukee Avenue National Bank and Smith, Barney & Co.

Herrick, Waddell & Co. Opens Indianapolis Branch

(Special to THE FINANCIAL CHRONICLE)

INDIANAPOLIS, IND.—Herrick, Waddell & Co., Inc., has opened a branch office in the Merchants Bank Building. Associated with the new branch will be Ross E. Coffin.

Dealer-Broker Investment Recommendations and Literature

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

Aviation Bul'etin—Comment, news, and general market opinion—John H. Lewis & Co., 14 Wall Street, New York 5, N. Y.

Bargains Do Not Last Forever—Market comment—Hare's Limited, 19 Rector Street, New York 6, N. Y.

Common Stock Program for Investors—Special list of issues to aid the investor in arranging his stock portfolio—G. H. Walker & Co., 1 Wall Street, New York 5, N. Y.

Motor Accessory Companies—Analysis of position—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y.

Security Sales vs. Tax Position—Study of tax position under existing capital gains tax law—Reynolds & Co., 120 Broadway, New York 5, N. Y.

View of the Stock Market—Analysis of averages since last September—Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

* * *

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.**

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

Chicago, Rock Island & Pacific—Memorandum on current developments—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a leaflet outlining current railroad developments of the week.

Denver & Salt Lake 3-4s of 1933—Memorandum—L. H. Rothchild & Co., 52 Wall Street, New York 5, N. Y.

Dumont Electric Corp.—Bulletin—Aetna Securities Corp., 111 Broadway, New York 6, N. Y.

Also available is a bulletin on **York Corrugating Co.**

Dunningcolor Corp.—Card memorandum on speculative possibilities—Bennett, Spanier & Co., 105 South La Salle Street, Chicago 3, Ill.

Also available is a descriptive circular on Dunningcolor **Animatic.**

C. H. Dutton—Late data—Moreland & Co., Penobscot Building, Detroit 26, Mich.

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

Also available are analyses of **Tennessee Products** and **Consolidate Dearborn.**

Finch Telecommunications—Analysis—Troster, Currie & Summers, 74 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.

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.**

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

Massachusetts Bonding & Insurance Co.—Descriptive brochure—Geyer & Co., Incorporated, 67 Wall Street, New York 5, N. Y.

National Tool Co.—Analysis—In the current issue of "Business and Financial Digest"—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

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

Pacific Gas and Electric Co.—Rights and common stock—Table of related prices—The First Boston Corp., 100 Broadway, New York 5, N. Y.

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

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.**

Southwestern Public Service Co.—Memorandum—Buckley Brothers, 1420 Walnut Street, Philadelphia 2, Pa.

Also available are memoranda on **H. H. Robertson Company** and **Eastern Corporation.**

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

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

Virginia - Carolina Chemical Corp.—Memorandum on position and outlook—Pitman & Co., Inc., Alamo National Building, San Antonio 5, Texas.

With Bowers & Co.

(Special to THE FINANCIAL CHRONICLE)

PORTLAND, MAINE—Percy F. Whitney has been added to the staff of Bowers & Co., Bank of Commerce Building, members of the Boston Stock Exchange.

With Atlas Securities

Special to THE FINANCIAL CHRONICLE

BEVERLY HILLS, CALIF.—Herman R. Griffin has been added to the staff of Atlas Securities, Inc., 133 North Robertson Boulevard.

Bateman, Eichler Adds

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—James M. Gray is now with Bateman, Eichler & Co., 453 South Spring Street, members of the Los Angeles Stock Exchange.

Money Management And Bank Investments

By E. SHERMAN ADAMS*

Assistant Vice-President, Central Hanover Bank & Trust Co.

Mr. Adams points out monetary management since 1942 has been controlled by Treasury financing policies rather than in accordance with needs of economy as a whole and dominant factor in Treasury financing has been low interest rates. Holds shifting of government securities from banks to individual investors is no automatic remedy against inflation and is not substitute for debt reduction. Says low interest rates have not destroyed savings incentive and low interest rate policy is likely to continue for some time.

For several years now there has been one factor that has overshadowed all others in its importance in connection with the problem of bank investments. That one factor is money management; namely, the monetary and credit policies of the Federal Reserve System and of the Treasury Department.

E. Sherman Adams

Monetary management affects the problem of bank investment in two ways:

(1) It is the key factor affecting the present status and future outlook for the bond market; and

(2) It also affects the circumstances of every individual bank: the volume of its deposits, the size of its investment portfolio, and finally, its earnings position—all of which are vital considerations in the formulation of the investment policy of the individual bank.

Just what do we mean by the term monetary management? In general, of course, we have in mind all the laws, rules, regulations and also the operations of governmental departments and agencies which affect money and credit conditions and interest rates.

Defined in these general terms, monetary management is by no means new. You could say, I suppose, that we have had money management in one form or another in this country ever since the first Bank of the United States was chartered in Philadelphia in 1791. All of the laws, charter provisions and rulings under which commercial banks operated throughout the 19th Century could be classed as a form, a very loose form, of monetary management.

But monetary management as we shall think of it today was born in 1914 with the establishment of the Federal Reserve System. The vital difference between the money management before and after 1914 was that the Fed-

(Continued on page 35)

*An address by Mr. Adams before the Queens County Bankers Association, May 8, 1947.

Treasury's Debt Redemption Policy Weakens Business Financial Position

Northern Trust Company of Chicago sees in it maintenance of high individual and corporate taxes. Sees inflationary environment in expansion of commercial bank credit.

In the fourth annual edition of its booklet on "United States Government Obligations," the Northern Trust Co. of Chicago publishes some observations on the money market in the light of the low interest rate pattern and the Treasury's debt redemption policy. According to the Northern Trust Co.: "In an era when the interest rate is so much a matter of policy rather than the result of 'natural' forces, it is perhaps irrelevant to think in terms of interest rate trends or interest rate cycles. Yet in the minds of many students of economic affairs the question 'Did the present low interest rate cycle culminate in 1946?' is a pertinent one. In 1956, from the vantage point of ten years' perspective, this question may be definitely answered. In the meantime, the observer may appraise events of more certain nature.

"Four outstanding developments featured the money market in 1946. The first, and perhaps the more fundamental, was the decision of the Secretary of the Treasury not to reduce the rate on one-year certificates of indebtedness below $\frac{7}{8}$%. The structure of market rates existing early in the year would have permitted the refunding of certificates at a lower rate—in fact, the possibility that the certificate rate might be lowered was an important reason for the outstanding strength of the market at that time. The second outstanding development was the initiation and continuation of a large scale, piece-meal debt retirement program, first out of excess funds raised in the Victory Loan, and now out of a Treasury cash surplus. The third development was a commitment, indefinite as to time, by the Board of Governors of the Federal Reserve System to maintain the established pattern of rates, at least at the short and long ends. The fourth was the resumption of a strong rise in commercial, real estate and consumer loans.

"The reasons motivating the Secretary in his decision not to lower the $\frac{7}{8}$% rate are not public knowledge. The fact is that to speak of the matter as a decision may be giving it a definiteness that is not warranted in a situation where alternatives to existing policies are always being considered. Be that as it may, announcements in February and March of refunding plans for maturing issues, involving the exchange of new $\frac{7}{8}$% certificates for that part of maturing issues not paid off in cash, gave concrete evidence of the decision to maintain the $\frac{7}{8}$% rate. To have lowered the certificate rate would have intensified the purchase by the banks of higher yielding Treasury issues from nonbank investors (i.e. debt monetization) and would thus have subjected the $2\frac{1}{2}$% rate to further downward pressure as nonbank investors sought to reinvest the funds so obtained. That the Federal Reserve System would have maintained a market for certificates at the rate set by the Treasury was taken for granted. A Treasury willing to have done so could thus have brought about conditions whereby new issues of long-term bonds could have been floated at

(Continued on page 37)

Food Price Trends Lower: Willis

"The downward trend of food prices has already begun," Paul S. Willis, President of the Grocery Manufacturers of America, Inc., declared at Buffalo on May 8 at the annual trade dinner of the Food Industry Sales Executives.

"Leading the downward movement are such items as margarine, shortening, soaps, some soups, canned beans, spaghetti, juices, dairy products, canned meats, evaporated milk, jams and jellies, to mention a few. Such reductions, reflected through the trade to point of sale, disprove a popular misconception that all grocery prices have been shooting skyward and are far above former OPA ceilings. Actually there are many products being offered for sale today at retail prices below their last government ceilings," Mr. Willis said.

"The grocery manufacturers have a strong selfish motive for selling their products at the lowest possible prices consistent with costs . . . but as realists we know that it will take more than slogans to reduce prices," the food industry spokesman declared.

"This is a highly competitive business which depends for success on a mass market. Manufacturers know that when their prices go too high they run the risk of pricing large segments of the population out of the market for their goods. A penny here or there at retail can make the difference between greater or lesser business. The entire economy of the grocery manufacturing industry is built around the simple formula of big volume, high turnover and a small rate of profit. This formula works best when food prices can be kept within the reach of most people.

"The future behavior of prices will continue to depend to a very large degree on the quantities of food which the Government will buy for relief purposes, and to an important degree on the manner in which it will make these purchases. It has been the experience in the trade that when the Government steps in to make its purchases the grain, meat and dairy markets immediately strengthen and advance . . . and when the Government is out of the market it weakens and prices decline.

"For the purpose of this discussion, the problem isn't whether we should or should not assist Europe; it is whether or not we are honest enough with ourselves to admit that our help is forcing up our food prices here at home.

"We at GMA consider the food industry the Life Line of America. The life line is made up of the farmer who produces the raw materials, the manufacturer who processes and packages them, the jobber who distributes these products in wholesale quantities, and the retailer who makes the goods conveniently available to the homemaker.

"When President Truman recently appealed for a reduction in the cost of living, and specifically for a reduction in the cost of food, the grocery manufacturers wholeheartedly endorsed his appeal. But we realized that this was a task of the Life Line of America, and that no one segment acting alone could accomplish a substantial reduction in the cost of food.

"Let's examine the factors which make up the cost of the finished product. At least 80% of the manufacturers' sales dollar is paid out for raw materials and supplies, labor, local taxes, social security, heat, light and power, freight, warehousing, etc. — costs which are inescapably established by other than the manufacturer. He can do little or nothing about these charges. . . . The remaining 20% pays for such things as administration, Federal taxes, marketing and profits. The record shows that the net profits in the grocery industry in 1946 ran between three and five cents per unit of sale. Industry must earn at least this much to stay in business, supply jobs and to expand and build for the future.

"On the basis of these facts, it would seem that current food prices are here to stay. But there are several factors which offer hope. Spring is here and new crops will soon be coming in to swell our supplies. The Department of Agriculture foresees another year of big harvests if growing conditions remain about the same. This should mean that farm prices should gradually stabilize downward. Another hopeful sign is that manufacturers are increasing the efficiencies of their plants by scientific management methods and by replacing old and worn machinery with new and better models. We can also look forward to higher productivity from labor.

"All of these facts give hope that we may expect a continuation of an orderly downward trend in prices. In my opinion there will be more price declines than there will be price increases in the months ahead. Because the food industry is accustomed to performing miracles, I am sure that once again ways will be found for lowering the family's grocery bills."

Michigan Brevities

Service Caster and Tuck Corp. of Albion has filed a registration statement with the SEC covering 32,000 shares of $1.40 convertible preferred stock, par $25, and 53,962 common shares, $1 par. The preferred will be offered by an underwriting group at $25 a share and the common at $10 a share. Proceeds, together with a bank loan, will be used to pay indebtedness to the Domestic Credit Corp.

* * *

First of Michigan Corp. was the successful bidder for an issue of $70,000 Muskegon Township School District Bonds. The issue was offered as $1\frac{1}{2}$s and $1\frac{3}{4}$s at prices ranging from 1.00 to 1.50% for the maturities from 1948 through 1952. First of Michigan was also one of the high bidders for a $250,000 issue of Louisville, Ohio, School District Bonds.

* * *

Application has been made to list the capital stock of Udylite Corp. on the New York Stock Exchange.

* * *

H. V. Sattley & Co., Inc., and associates, have purchased $420,000 Warren Township, Macomb County, Mich., water and sewer revenue extension and refunding bonds bearing interest at the rate of $3\frac{1}{4}$%. The bonds, which mature May 1, 1952 to Nov. 1, 1976, are being reoffered to yield 2.75% to 3.10%.

* * *

Capital needed to finance Michigan Bell Telephone Co.'s $220,000,000 five-year construction program prompted the directors to authorize the issuance of a $100,000,000 increase in the company's capital stock. The largest authorization in the firm's history, it would boost capital stock to $275,000,000. T. N. Lacy, President, explained that the new capital would be expected to finance the company's construction program up to the end of 1948. Chief object of the program is to eliminate the service waiting list of 68,000 families still without phones.

* * *

The Comptroller of the Currency has approved an application by the National Bank of Detroit to open an office in the Buhl Building, Griswold and Congress, C. T. Fisher, Jr., bank President, announced. This will be the bank's 31st office and the third downtown.

* * *

First of Michigan Corp. and Braun, Bosworth & Co., Inc., have purchased jointly an issue of $194,500 City of Dearborn special assessment general obligation bonds. The issue will be offered at $1\frac{1}{4}$s at prices ranging from .80 to 1.10% for maturities of 1948-52.

* * *

Henry VanderVoort, partner in the investment banking firm of Cray, McFawn & Co., has been elected a director of Fry Products, Inc.

* * *

The Detroit Stock Exchange has approved for listing 260,109 additional shares of $1 par value common shares of McClanahan Oil Co. President Chas. S. Hale announced that rights to subscribe to one new share for every five now held will be offered to holders of record April 22.

* * *

Watling, Lerchen & Co. and Miller, Kenower & Co. were bidders recently for $107,000 City of Charlevoix, Mich., electric light and power bond issue. The bid specified an interest coupon of $1\frac{1}{2}$% and a premium of $676.24 for bonds maturing Oct. 1, 1949 through 1961.

* * *

C. Russell Feldman, President of International Detrola Corporation announces that the company has issued and sold $5,000,000 of $3\frac{1}{2}$% 15-year debentures to the Equitable Life Assurance Society of U. S. Proceeds will be used to retire existing bank loans and for additional working capital.

* * *

Application has been made by the Detroit-Michigan Stove Company to list its 948,007 outstanding shares of $1 par value common stock on the "Big Board." Currently, the shares are on the local mart and the "Curb."

* * *

What the International Bank Means to You—Booklet telling what the bank is for, how it was organized, who its members are, what kind of loans and guarantees it can make, how it will supplement its present loanable funds, etc.—International Bank, Office of Public Relations, 1818 H. Street, N. W., Washington, 6, D. C.—paper—copies on request.

Connecticut Brevities

On May 7, Putnam & Co. offered 11,000 shares of The Wiremold Company 5% Cumulative Preferred Stock, Series A, $25 par value, at $26.30 to yield 4.75% based on the annual dividend rate of $1.25.

Located in Elmwood, West Hartford, the company was incorporated in 1919 as the American Wiremold Company, and in 1926 adopted its present name. The president, D. Hayes Murphy, has held that office since 1919.

The company is engaged in the manufacture and sale of:

(1) Wiremold raceways and fittings which provide a complete system from panel box to outlet for surface wiring with a special type of steel conduits.

(2) Wireduct and auto cable housing (loom) — non-metallic flexible conduits made principally of cotton and paper treated with flame-retarding and moisture-resistant compounds. These conduits are used to protect electric circuits of buildings, automobiles, trucks, buses, etc.

(3) Chernack Air Duct — the company's latest major development. This tube, designed for heating, ventilating, and air-conditioning purposes, is made of fabric formed into a tube by means of a helical metal member. The fabric may be of cotton, nylon, or glass, impregnated with various compounds to meet customers' requirements for resistance to heat, moisture, or chemicals. This air duct is used for heating, ventilating and defrosting automobiles, trucks, and buses; supplying fresh air to or exhausting foul air from holds of ships, tanks, excavations, etc.; pre-heating airplane engines and air-conditioning airplane cabins before take-off; ventilating engine compartments of power boats.

In addition, the company makes special products consisting of metal stampings and rolled shapes.

Present capital consists of $500,000 first mortgage sinking fund 3¾% bonds due June 1, 1961; 11,000 shares of 5% cumulative $25 par preferred stock series A; 28,021 shares of class A $10 par common stock, and 40,000 shares of class B $10 par common stock.

Proceeds derived from the sale of the 5% preferred will be used to pay off bank loans, for the purchase of new equipment, to increase working capital, and for general corporate purposes.

* * *

In compliance with an order dated May 7, 1942, United Gas Improvement Co. has submitted to the SEC a plan of dissolution of the Connecticut Gas & Coke Securities Co. UGI owns approximately 70% of the common stock of Connecticut Gas & Coke. The principal assets of the latter company consist of 273,911 shares of New Haven Gas Light and 20,999 shares of Hartford Gas. Under the plan of dissolution scheduled for July 1, the UGI would deliver to Connecticut Gas & Coke 350 shares of New Haven Gas Light and 10,841 shares of Hartford Gas and $30,000 for liquidating expenses.

Connecticut Gas & Coke would then distribute its portfolio assets to its preferred stockholders on the basis of 1.375 shares of New Haven Gas Light and 4/25 shares of Hartford Gas for each share of preferred held. The dissolution plan has no provision for the common stockholders.

* * *

Acme Wire Co. reported net income of $356,523 for the year ended Dec. 31, 1946, compared with $194,822 for 1945. On a per share basis, earnings were $3.09 and $1.68, respectively. Net working capital at the end of 1946 was $1,330,036 against $1,187,471 a year ago. Earned surplus was $753,610 and $581,885, respectively.

* * *

Farrell-Birmingham Co., Inc., of Ansonia, has sold their Atwood division, formerly the Atwood Machine Co. of Stonington, to Universal Winding Co. The latter company has arranged a 15-year loan from New England Mutual Life Insurance Co. in connection with the purchase.

* * *

The Aetna (Fire) Insurance Co. has plans to raise some $10,000,000 additional capital by the sale of 250,000 new shares of capital stock, thus bringing outstanding capital stock to one million shares.

* * *

The Hartford Empire Co. reported net income of $197,935 or 42¢ a share for the first quarter of 1947. This compares with $458,613 or 98¢ a share for the similar quarter last year. Working capital on March 31, 1947 was $7,000,456 against $7,777,341 a year ago, while earned surplus of $6,386,984 compared with $5,532,835 at the end of the corresponding period in 1946.

* * *

For the quarter ended March 31, 1947, Bigelow-Sanford Carpet Co. reported net income of $505,610 or $1.51 a share, based on 309,109 common shares, compared with a loss of $159,405 or a deficit of 64¢ a share based on 309,609 shares for the corresponding period in 1946. Net sales for these periods were $13,188,734 and $6,715,789, respectively.

Toppers to Hold Annual Outing on May 29th

The Toppers will hold their annual outing at the Westchester Country Club, Rye, N. Y. on May 29th. Attendance is limited to 225 members and almost all tickets have been applied for. Those who have not yet made reservations and still plan to attend the outing are urged to send in their requests at once. The Committee will make every effort to accommodate such requests.

This year special prizes will be awarded, drawing for which will be started on May 23rd. Books on the purchase tickets for the special prizes will close by 5 p.m. May 22, or sooner, depending upon the sale of the remaining tickets. Among the special prizes will be a new 1947 Dodge Four-Door Custom Sedan.

Events of the day will include golf, in charge of Ronald Morton of "The Blue List"; tennis, in charge of Daniel O'Day, the Northern Trust Company; Luncheon and Horseshoes in charge of Richard Rand, Rand & Co.; softball, in charge of Gilbert V. D. White, R. D. White & Co., and Robert Doty of Tripp & Co.; swimming, in charge of Andrew J. Brodie, Estabrook & Co., dinner, and the awarding of prizes.

N. Y. Municipal Bond Club Gets Nominations

The nominating committee of the Municipal Bond Club of New York has submitted the following slate of officers for the year 1947-48:

James G. Couffer, B. J. Van Ingen & Co., President; Dana B. Scudder, National City Bank of New York, Vice-President; Donald C. Patterson, Secretary; Frank L. Lucke, Laidlaw & Co., Treasurer; and Leonard R. Sullivan, member board of governors (1950).

The annual meeting and election of officers will be held on Friday, June 20th, at Sleepy Hollow Country Club, Scarborough, New York.

L. Walter Dempsey is Chairman of the nominating committee which also includes Orlando S. Brewer and E. Norman Peterson.

Wm. J. Mericka in New Office in N. Y.

Wm. J. Mericka & Co., Inc., members of the Cleveland Stock Exchange, announce the removal of their New York City offices from 29 Broadway to 150 Broadway. The new telephone number will be BArclay 7-3550.

T. Geoffrey Horsfield, Vice-President of the firm, is Resident Manager in New York. J. V. Bond is Assistant Manager.

Mr. Horsfield is Chairman of the Publicity Committee of the National Security Traders Association, and Secretary of the Security Traders Association of New York.

A. A. Sikora, formerly of the U. S. Army, is also with the firm.

Singer With Werschkul Co.

Special to THE FINANCIAL CHRONICLE

PORTLAND, ORE.—Harold I. Singer has become affiliated with L. J. Werschkul & Sons, U. S. National Bank Building. Mr. Singer was previously with Field & Co., Inc.

Benn With Hirsch

Special to THE FINANCIAL CHRONICLE

CLEVELAND, OHIO—Ernest G. Benn has become affiliated with Hirsch & Co., 1010 Euclid Avenue. Mr. Benn in the past was with Merrill Lynch, E. A. Pierce & Cassatt and Sutro Bros. & Co.

Gutt Sees Int'l Fund as Reconstruction Aid

Managing Director of International Fund, returning from trip through Western Europe, reports progress in restoring production, and promises assistance in bringing about stable and orderly currency and exchange arrangements.

WASHINGTON—Camille Gutt, Managing Director and Chairman of the Executive Board of the International Monetary Fund, issued the following statement upon his return from an European inspection trip:

Camille Gutt

"I have just returned from a visit to seven countries of western Europe that are members of the International Monetary Fund — Belgium, Denmark, England, France, Luxemburg, Netherlands and Norway. The purpose of my visit was to see the progress that is being made toward reconstruction and to discuss with the monetary authorities of these countries the work of the Fund.

"These countries are working hard to repair the ravages of war and to restore their economies. The problems they face are not the same in all countries. But they do have this in common—the solution of their postwar economic problems depends primarily on the progress they can make in restoring agricultural and industrial production.

"The past Winter has been a hard one in Europe. The unprecedented frost has done considerable damage to Winter planting. Early Spring floods have prevented new planting in many areas and have also caused large losses in livestock. Agricultural production in western Europe this year will be below the levels that had been hoped for. Larger food imports will, therefore, be necessary.

"In industry, progress in restoring production has been more marked. In every country I visited, industrial production has increased. This is most encouraging. Further progress may be expected this year. The degree of progress will depend mainly upon the further rebuilding of transportation systems and upon increased supplies of coal. Despite the most stringent economy in domestic consumption, every country in western Europe is desperately short of coal for industrial use. Every effort must be made and is being made to increase production of coal.

"The expansion of industrial production has been accompanied by an even more marked expansion of exports. All things considered, the countries of western Europe are doing reasonably well in restoring their export trade. They have a long way to go before they will be able to export enough to pay for the imports on which Europe is dependent.

"There is good reason to hope that the steady struggle to rebuild these countries will be successful. It will require hard work and help. Labor is scarce for the many urgent things that must be done. Only with increased production will Europe's economic problems be solved. Credits for equipment to reconstruct and modernize their industries will assist these countries in restoring production. Their people are working hard, very hard, to do the job. They are denying themselves even necessary consumption in order to rebuild their countries. They deserve help.

"The monetary authorities of the countries I visited are all aware that stable and orderly exchange arrangements are an important element in building a functioning world economy. They believe that the Fund is essential to provide a basis for international cooperation on currency problems. I have assured them the Fund will do everything possible to help them in placing their international currency relations on a sound and strong basis."

NSTA Notes

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

The Securities Traders Association of Detroit and Michigan have changed the time of their annual Summer Golf Party from July 15 to July 22. The party will be held at the Orchard Lake Country Club, Orchard Lake, Mich. On the evening before the party, July 21, a Buffet Dinner and Cocktail Party for out-of-town guests and members will be held at the Savoyard Clubs, Detroit.

Harold R. Chapel, President, in his semi-annual report to members, announced that the membership of the Association is at an all-time high. During the last few months 25 new members have been added, making a total active roll of 190. President Chapel also stated that Charles C. Bechtel of Watling, Lerchen & Co. has been appointed to the Municipal Committee of the National Association.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

On May 1 the Security Traders Association of Los Angeles completed their second Handicap Bowling League, a total of 84 games were bowled. Team honors were taken by Saul Miller, Edward J. Bourbeau & Co.; Bill Johnson, Cruttenden & Co., and Bill Davies, Butler-Huff & Co., with a team average of 454. Saul Miller with a season average of 182 was high man in the final standing and Scotty Stout, First California Co., with a 246 single game and a 683 series took the balance of the honors.

A dinner was held at the University Club to wind up the season in proper fashion.

GEORGIA SECURITY DEALERS ASSOCIATION

The Georgia Security Dealers Association will hold its annual outing at Brookhaven Country Club, Atlanta, on May 30.

Stock Market Operating On Pendulum Psychology

By G. Y. BILLARD
Partner, J. R. Williston & Co.

Market analyst sees stock prices on side of undervaluation with no price debacle likely. Co-relates stock market and business declines, and points out further market weakness may furnish opportunity for long-range buying, but threat of still lower prices is real.

Stock market psychology operates on a pendulum basis. A swing, once started, is virtually impossible to arrest short of its ultimate ending. Consequently prices carry to extremes but never remain at such points for any great length of time.

Gordon Y. Billard

In the present situation, further weakness resulting in downside penetration of 163 Dow-Jones would probably coincide with acute pessimism, but since the general level of stock prices is more on the side of undervaluation, substantial downscale buying by investors for income purposes would probably prevent a price debacle of the proportions of last fall. In the first place, investors do not unload in frantic fashion in weak markets as do speculators when caught in a tight position. In the second place, there are no heavy dealer inventories of securities such as existed last summer and fall as a result of the extensive indigestion in the "new issue" market. In the third place, the choice facing the investor is either cash, bonds, or equities. Cash is unproductive. Bonds still provide a return of about 2½%. Good grade equities presently yield about 5-6% as contrasted with about 3-3½% a year ago. All logic points to the superior position of equities as against other media available for investment and the logical conclusion would seem to be that the nature of the extent of any possible further stock market decline can hardly be of the scope experienced in either 1937 or 1929 or 1920.

Blueprint

Blueprint of the long-awaited business relapse finally made its appearance during the past week. According to unofficial Washington sources, iron and steel production at the bottom of the business setback (now placed at around May 1948) is expected to be down 20% (this would be 52% above prewar); machinery production is expected to be down 32% (this would be 90% higher than prewar); manufactured goods pro-

(Continued on page 39)

Sees Danger in Further Foreign Lending

Chairman Martin of Export-Import Bank tells House Committee prospective difficulties in effective international payments, make further loans in lieu of gifts risky. Reveals pressure to finance shipment of capital goods to United Kingdom.

WASHINGTON, (Special to the "Chronicle")—Under questioning by Republican members of the House Banking and Currency Committee on May 12, Chairman Wm. McChesney Martin of the Export - Import Bank testified that in his opinion further foreign lending as distinct from gifts would be very risky. Mr. Martin's remarks seemed to take in both private and government lending, in the light of the prospective balance of payments of the United States and the practical difficulties of foreign countries making payment and of this country receiving payment. Said Mr. Martin: "In terms of lending, I think we're in the danger zone now."

Wm. McC. Martin, Jr.

Chairman Jesse Wolcott of the Banking and Currency Committee stated his intention that the committee this session make a credit study of all Federal credit agencies, not excluding the NAC. If foreign lending does not fall under the scope of the Banking and Currency Committee, the latter still can make an advisory report, he said. Wolcott's remarks were prompted by efforts of Representatives Frederick C. Smith of Ohio and Howard Buffett of Nebraska to have the Secretary of the Treasury and Chairman of the NAC, John W. Snyder, summoned now to explain the relations of the NAC with the Ex-Imp.

Martin testified that it was understood at the time of the extension of Ex-Imp credits to the Netherlands Government about a year ago that the Dutch would take steps to liquidate some of the Dutch-owned dollar securities. Among these are a large amount of common and preferred stocks. The Ex-Imp has had steady applications for credit from Holland and other governments, Martin said.

A privately-underwritten Dutch issue of 10-year 3¾% bonds in the amount of $20,000,000 was filed with the SEC last week.

Martin testified that his Bank has no plans to open an office in France or elsewhere abroad apart from its present small office in Brazil.

Mr. Martin also informed the Committee that Finland has applied for membership in the World Fund and Bank.

In reply to a question from Representative Buffett, Mr. Martin testified that American and British business interests have been pressing the Ex-Imp to extend credit to finance shipment to the United Kingdom of capital goods, the financing of which had been intended to be covered by the American $3,750,000,000 loan to the UK. The loan, however, has been used instead of consumers goods, Martin admitted.

Missouri Brevities

Nutrine Candy Co. on May 8 filed a registration with the Securities and Exchange Commission for the issuance of 100,000 shares of $1 par common stock to be offered by seven stockholders. Stifel, Nicolaus & Co. heads the underwriting group.

* * *

The stockholders of Hussman Ligonier Co. will vote June 16 on a proposal to split up the common stock on a two-for-one basis and to change the name of the company to Hussman Refrigerator Co.

* * *

Bearings Co. of America, Lancaster, Pa., on May 8 filed a registration statement with the Securities and Exchange Commission for the issuance of $500,000 first mortgage 4½% serial convertible bonds and 60,000 shares of $1 par common stock, the proceeds of which are to be used to retire a bank note and for general working purposes. The principal underwriters are Dempsey, Tegeler & Co. and J. W. Brady & Co. of St. Louis.

* * *

Western Auto Supply Co. (Mo.) reports total sales for April, 1947, of $9,674,000, compared with $7,906,000 for the same month last year, and for the first four months of this year $31,691,000, as against $30,117,000 for the corresponding period in 1946.

The company on April 30 had 246 retail units in operation, an increase of ten over a year ago, while wholesale accounts were 1,749 as compared with 1,556 on April 30, 1946.

* * *

For the quarter ended March 31, 1947, earnings of McQuay-Norris Manufacturing Co. were $475,245, after Federal and State taxes, and a $200,000 contingency reserve, as compared to $369,898 in the first quarter of 1946. After provision for preferred dividends amounting to $17,867, the profits available to the common stock were $457,379, equivalent to $1.29 per share on each of the 355,787 shares outstanding March 31, 1947. This contrasts with $348,648, equivalent to $1.02 per share on the 343,047 shares of common stock outstanding at March 31, 1946.

Arthur G. Drefs, President, stated that "although April volume and profits were at a satisfactory level—higher than a year ago—still there is some evidence of hesitation in forward buying."

* * *

After making a provision of $500,000 to provide relief for its employees who were Texas City victims, the net income of the Monsanto Chemical Co. for the first quarter of 1947 amounted to $4,944,502. After provision for dividends on the series A preference stock, net for the quarter was equivalent to $1.19 per share on the 3,961,693 shares of common stock outstanding at the end of the period. Giving effect to the three-for-one exchange of stock in July, 1946, first quarter earnings in 1946 were 74 cents per common share. Consolidated net sales for the three months ended March 31, 1947 amounted to $36,216,506, an increase of 47% over sales for the corresponding period of 1946.

Current assets of this company and its subsidiary (excluding British and Australian subsidiary companies) at the end of the first quarter of this year amounted to $70,132,483, as against current liabilities of $11,231,091.

* * *

Net profit of the Stix, Baer & Fuller Co. for the year ended Jan. 31, 1947 was an all-time record, amounting to $3,017,735 before provision of $250,000 for possible future decline in market value of inventories, and other contingencies. This was equivalent to $4.94 per share on the outstanding common stock ($5 par value) after deducting preferred dividend requirements. The comparable figure for the fiscal year ended Jan 31, 1946 (based on the present $5 par stock) was $2.35 per share.

The working capital at the close of the year amounted to $8,197,814, an increase of $1,652,697 over the previous year and $4,513,609 over Jan. 31, 1940, seven years ago.

* * *

Missouri Edison Co. for the first quarter of this year reported a net income of $33,352, after charges and Federal income taxes. This was an increase of $9,543 over the corresponding period last year. For the year ended March 31, 1947, net was $113,952, a gain of $37,102 over the preceding 12-month period.

* * *

St. Joseph Light & Power Co reported for the year ended Dec 31, 1946 total operating revenues of $3,967,605, as against $3,926,368 for 1945. Net income after charges and Federal income taxes amounted to $509,950 in 1946 compared with $345,840 for the preceding year. As of the close of 1946, current assets totaled $1,785,700, and current liabilities $691,285, as against $1,385,152 and $569,121, respectively, at Dec. 31, 1945.

* * *

The Lucky Tiger-Combination Gold Mining Co., in its annual report for the calendar year 1946, shows total current assets at Dec. 31 of $157,823, as against total current liabilities of $106,641. The consolidated loss for the 12 months was $86,094, after charges and Federal income taxes. Bullion sales, after deducting royalties of $10,056, amounted to $90,919.

Richard Satterlee Is With Geo. K. Baum Co.

Richard W. Satterlee

KANSAS CITY, MO.—Richard W. Satterlee has become associated with George K. Baum & Co., Inc., 1016 Baltimore Avenue. Mr. Satterlee was formerly Vice-President of Lucas, Farrell & Satterlee. Prior thereto he was with Stern Bros. & Co. in charge of the trading department.

Theodore C. Honig With Dempsey-Tegeler Co.

Theodore C. Honig

Theodore C. Honig has become associated with Dempsey-Tegeler & Co., 407 North Eight Street, members of the New York and St. Louis Stock Exchanges and other leading national exchanges. Mr. Honig was formerly in charge of the Wholesale and retail department for White & Co.

With Slayton & Co.

LOS ANGELES, CALIF.—Peter R. R. Scarr is now with Slayton & Co., Inc., 3277 Wilshire Boulevard.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week—Bank Stocks

New York City bank stocks currently can be bought for around the same price they were selling in January 1944, based on Standard & Poor's weekly index. This index was 97.1 on May 7, 1947, precisely the same as on January 26, 1944.

With regard to individual bank stocks, some are higher while others are lower, as shown in the following table:

	—Asked Prices—		%
	Jan. 26, '44	May 7, '47	Change
Bank of Manhattan	22⅛	27	+22.0
Bank of New York	405	355	—12.3
*Bankers Trust	42	42½	+ 1.2
Central Hanover	101	100	— 1.0
Chase National	38	37	— 2.6
*Chemical Bank & Trust	39	42¾	+ 9.6
Corn Exchange	48⅞	55¼	+13.0
First National	1530	1460	— 4.6
*Guaranty Trust	280⅞	282	+ 0.4
Irving Trust	15⅞	16¾	+ 5.5
Manufacturers Trust	50	52½	+ 5.0
National City	36⅜	41⅝	+14.4
New York Trust	93¼	92¼	— 1.1
*Public National	35	42¾	+22.1
U. S. Trust	677½	670	— 1.1
Standard & Poor's Index	97.1	97.1	0

*Prices adjusted for stock dividends to represent present capitalization.

Over the intervening three years these 15 banks fared as follows:

	Total Earnings			—Disposition of Earnings—		
Year—	Net Operating	Net Security Profits	Net Recoveries	Dividends	Surplus & Und. Profits	Reserves etc.
1944	$123,675,000	$31,335,000	$10,185,000	$62,930,000	$73,523,000	$28,742,000
1945	127,686,000	43,093,000	4,996,000	68,366,000	84,609,000	22,800,000
1946	127,820,000	20,540,000	3,701,000	69,826,000	64,859,000	17,373,000
Totals	$379,181,000	$94,968,000	$18,882,000	$201,122,000	$222,991,000	$68,915,000

The individual changes in book values of each of the 15 stocks over the period have been as follows:

	Book Value 12-31-43	Ratio of Market as of 1-26-44	—Book Value— 12-31-46	3-31-47	Ratio of Market as of 5-7-47
Bank of Manhattan	$25.03	.89	$31.55	$31.73	.85
Bank of New York	358.97	1.13	448.17	450.07	.79
*Bankers Trust	41.79	1.01	49.05	49.24	.86
Central Hanover	99.15	1.02	118.19	118.69	.84
Chase National	36.88	1.03	42.37	42.44	.87
*Chemical Bk. & Tr.	32.98	1.18	41.40	41.66	1.02
Corn Exchange	49.36	.99	56.05	56.59	.98
First National	1246.60	1.23	1359.80	1358.18	1.17
*Guaranty Trust	291.42	.97	321.66	+356.98	.79
Irving Trust	21.28	.75	22.53	22.66	.74
Manufacturers Trust	41.75	1.20	57.71	58.27	.90
†National City	38.29	.95	46.38	47.13	.88
New York Trust	85.34	1.09	104.78	105.33	.87
*Public National	43.91	.80	52.00	52.57	.81
U. S. Trust	758.75	.90	770.25	770.61	.87
Average Ratio		1.01			.88

*Adjusted for stock dividends. †Includes City Bank Farmers Trust. +Includes large transfer from reserves.

Dividends disbursed during the three years, represented 53% of total net operating profits, but only 42.5% of combined net operating and security profits. It should also be noted that the amount of earnings which were ploughed back into surplus and undivided profits exceeded the amount distributed as dividends by 10.9%. Furthermore, this amount of $222,991,000 is equivalent to 13.5% of the aggregate book value of the 15 banks as of Dec. 31, 1943, which totaled $1,643,828,000.

Eight of the 15 stocks were selling at a premium to book value three years ago, but only two are today, viz.: Chemical and First National. The average ratio of market to book for the 15 stocks was 1.01 on Jan. 26, 1944, while the current average is .88.

Book values have been rising steadily and consistently for 12 years and the trend persists. It seems unlikely that the market can ignore this stubborn fact for long.

William H. Bluhm With Dempsey-Tegeler Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—William H. Bluhm has become associated with Dempsey-Tegeler & Co., 210 West Seventh Street. Mr. Bluhm was formerly Vice-President of Livingstone & Co. Prior thereto he was with First California Co. and Bankamerica Co.

With Carter H. Corbrey Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Joseph A. McGonigal has been added to the staff of Carter H. Corbrey & Co., 650 South Spring Street.

With Lester & Co.

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Robert Fullerton III has joined the staff of Lester & Co., 621 South Spring Street, members of the Los Angeles Stock Exchange.

With H. V. Sattley & Co.

Special to THE FINANCIAL CHRONICLE

DETROIT, MICH.—Kenneth J. McKinnon has been added to the staff of H. V. Sattley & Co., Inc., Hammond Building.

With Herrick, Waddell

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, MO.—Edwin G. Volz has been added to the staff of Herrick, Waddell & Co., Inc., 418 Locust Street.

With Crummer & Co.

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Frances Gochenouer is with Crummer & Co., Inc., of Texas, Insurance Building.

$100 Million Advances to Mexico Agreed on

Under renewed stabilization agreement U. S. Treasury will buy $50 million worth of Mexican pesos over four-year period. Other $50 million to be extended by Export-Import Bank to finance development projects.

WASHINGTON, May 13—It was announced here today that two pending agreements with Mexico have been consummated, and with a specification of their terms.

Miguel Aleman

John W. Snyder

One transaction is with the Treasury providing for stabilizing the peso-dollar rate of exchange, and the other calls for a loan by the Export-Import Bank. Details of the respective agreements follow:

The Stabilization Agreement

The Secretary of the Treasury of the United States of America, Mr. John W. Snyder, the Ambassador to Mexico, Senor Dr. Don Antonio Espinosa de los Monteros, and Mr. Rodrigo Gomez, representing the Banco de Mexico, today executed a new $50 million Stabilization Agreement between the two countries.

Under the terms of this Agreement, which was the subject of discussion during the recent visit to the United States of President Aleman and Minister of Finance Beteta, the United States Stabilization Fund undertakes for a period of four years commencing July 1, 1947, to purchase Mexican pesos to an amount equivalent to $50,000,000 for the purpose of stabilizing the United States dollar-Mexican peso rate of exchange. This agreement extends and enlarges the Stabilization Agreement of 1941 which was twice extended for two-year periods and which expires on June 30, 1947.

Secretary Snyder and Minister Beteta during their discussions reviewed the satisfactory foreign exchange relations between Mexico and the United States and the stability which has characterized the peso-dollar exchange rate during the six years that the Stabilization Agreement has been in effect. They also viewed with satisfaction the complete freedom of exchange operations between the two countries — operations which have involved the financing of aggregate foreign trade exceeding $700,000,000 in 1946, as well as large travel expenditures and other international receipts and payments.

The Secretary and the Finance Minister pointed out that the Stabilization Agreement is consistent with the aims and purposes of the International Monetary Fund, of which both countries are members, and will in fact serve to supplement the efforts of the international organization to stabilize the rates of exchange between all the member countries.

The Export-Import Loan

The Hon. William McC. Martin, Jr., Chairman of the Board of Directors of the Export-Import Bank of Washington, and His Excellency Dr. Antonio Espinosa de los Monteros, Ambassador of Mexico to the United States, today released the text of their letters of April 30 and May 2, 1947, regarding additional credits to Mexico by the Export-Import Bank.

The text of Mr. Martin's letter follows:

EXPORT-IMPORT BANK
OF WASHINGTON
April 30, 1947.

My dear Mr. Ambassador:

The Export-Import Bank has been giving careful consideration to your applications, dated February 26, 1947, for a series of loans intended to promote the economic development of Mexico.

You will appreciate that the limited resources now at the disposal of the Bank would alone preclude its financing the program as a whole. The Bank has therefore attempted to select from among the various projects now before it those which would make the greatest and earliest contribution to the economy of Mexico and to the improvement of the balance-of-payments position of Mexico. On the basis of this criterion, the Bank finds certain projects worthy of further detailed consideration. However, all of them involve factors which, in the board's judgment, require additional study before definitive commitments for loans may be made.

Meanwhile, I am authorized to inform you that the Bank is prepared to approve credits up to $50,000,000 to finance the dollar requirements in connection with the projects referred to above and other selected projects having the approval of the Mexican Government, for periods and on terms appropriate to the circumstances in each case.

It has been and I know will continue to be a great satisfaction to work with you on these proposals because of the fact that we share a common point of view, which is based on a desire to cooperate in promoting the soundest economic relations between our countries through carefully considered measures for the complementary and balanced development of the resources of both.

Cordially,
(Signed)
WM. McC. MARTIN, JR.,
Chairman.

His Excellency,
Senor Dr. Don Antonio Espinosa de los Monteros,
Ambassador of Mexico,
Embassy of Mexico,
Washington, D. C.

The text of Ambassador Monteros' letter follows:

EMBAJADA DE MEXICO
WASHINGTON
May 2, 1947.

Dear Mr. Martin:

I acknowledge receipt of your kind note of April 30, 1947, in which you inform me that the Export-Import Bank is prepared to approve credits up to $50,000,000 to finance the dollar requirements in connection with various projects of interest to my Government.

I have transmitted the contents of your letter to my Government, so that we may proceed on further detailed study of those projects which your Bank is prepared to consider at this time.

It has been a source of deep satisfaction for me to receive further assurance of your desire to cooperate financially towards the attainment of well-balanced economic relations between our two countries.

Cordially yours,
(Signed)
ANTONIO ESPINOSA
DE LOS MONTEROS,
Ambassador.

Honorable William McC. Martin, Jr.,
President,
Export-Import Bank
of Washington,
734 15th Street, N. W.,
Washington 25, D. C.

Standard Oil Company (New Jersey) reports...

Some highlights from the Annual Report for 1946, which has just been issued

The conduct of business and the welfare of people in general are closely related here in the United States. That is why we publish the following summary of this company's annual report to its 164,000 stockholders. Put as briefly as possible, here are the year's developments in our work which are of the broadest public interest.

Eugene Holman
EUGENE HOLMAN
PRESIDENT

Frank W. Abrams
FRANK W. ABRAMS
CHAIRMAN OF THE BOARD

THE WORLD'S NEED FOR OIL in the postwar period is developing even more rapidly than was expected. Not only in the U. S. but world-wide, demand for oil products in 1946 was the largest in history, exceeding even the war years' period. The pressure of demand is being felt in all lines of the business.

AFFILIATES OF THE COMPANY are now operating practically at maximum capacity—a situation prevailing throughout the industry. Needed increases in output can be achieved only by enlarging every operation from well to market. In financing these activities, capital expenditure in 1946 reached the record figure of $279,000,000. The budget for 1947 provides for further increases. Construction of needed new facilities is one of the industry's major tasks for the immediate future.

NET EARNINGS accruing to the interest of Jersey shareholders represent a return of 11.12% on average net worth, or 10.80% on total income of the Company and its affiliates. Such consolidated earnings for 1946 came to $6.50 per share of outstanding stock, a total of $177,610,000. Net income for the parent Company was $3.83 per share, a total of $104,770,000. Dividends of $3.00 per share were paid by the Company during 1946.

OF TOTAL MONEY TAKEN IN from all sources by the Company and its affiliates, 64% was paid out for crude oil, other materials and supplies, maintenance, direct taxes, and similar necessary expenses.

36% REMAINED after these expenses. Of this remainder, 65% was paid to 115,000 employees, 13% went as dividends to the Company's stockholders, 16% was held for use in the business, and 6% was the amount applicable to minority ownership of subsidiary companies.

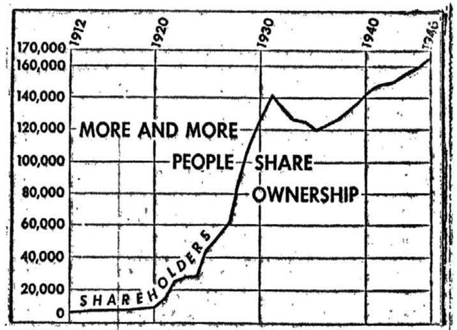
INCREASED PRODUCTION AND SALES reflected the world's growing need for oil and its products. Worldwide production of crude oil by Jersey affiliates increased 9.6% over 1945. Working at or near capacity, refineries of Jersey affiliates processed 7% more oil than in 1945—producing 9% of total U. S. petroleum products. Sales by affiliates also reflected rising need for oil. With relaxation of rationing, there has been increased use of oil products not only in this country but also in most of the foreign countries served by Jersey affiliates.

19 OCEAN TANKERS were purchased in 1946, in replacing tankers lost during the war. To promote greater safety at sea, three of our ships have now been equipped with radar and two more are being so equipped.

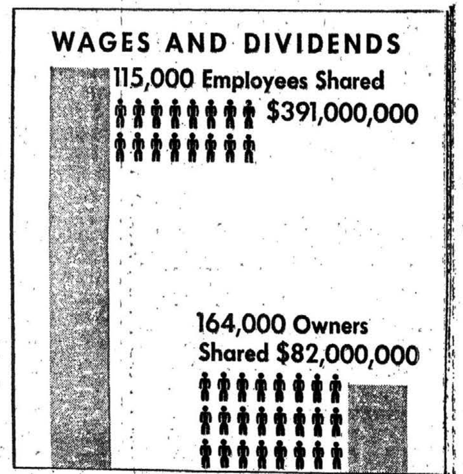
RESEARCH WORK during the year moved ahead, developing better and more versatile processes and products. Special attention was given to development of high octane gasolines to anticipate the requirements of coming higher compression automobile engines—giving greater power and increased miles per gallon. Semi-commercial conversion of both natural gas and coal into oil products has shown encouraging progress.

GOOD LABOR-MANAGEMENT RELATIONS during the year continued the Company's long record of industrial peace. There was no domestic strike or work stoppage during the year. 88% of former employees discharged from the armed services have returned to work for the Company. In addition, 11,577 veterans were newly employed by the Company. More than 78% of eligible domestic employees participated in the Group Insurance Program. Employees saved $17,615,000 in the Thrift Plan last year, to which their employers added $30,329,000.

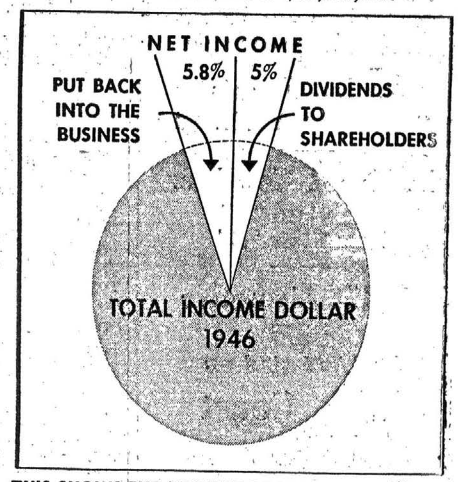
LOOKING AHEAD, it is clear that if men, through science and machines, are to drive persistently toward better living standards for all people, vast quantities of oil must be found, brought to the surface, refined, and distributed to all parts of the world. Standard Oil Company (New Jersey) is increasing substantially its activities and investments abroad as well as in this country. These are practical demonstrations of our confidence that American enterprise can help meet the needs of people everywhere and thereby serve the cause of lasting peace.



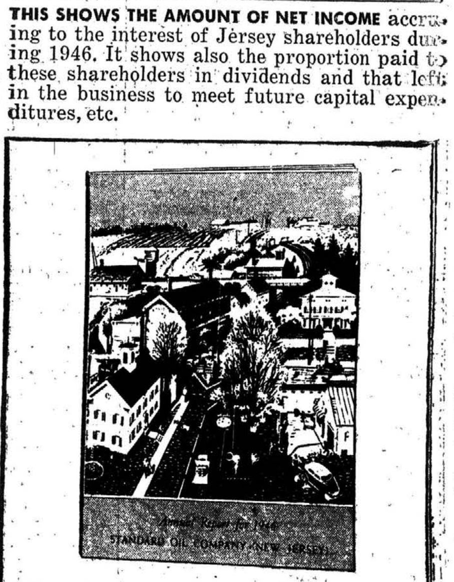
WIDENING OWNERSHIP OF NEW JERSEY is shown by the fact that the number of shareholder accounts has increased from 5,816 in 1912 to 164,000 as of December 31, 1946.



EACH FIGURE REPRESENTS 6,975 PERSONS, and the bars represent the amounts of income each group received from Jersey in 1946. The sum of $391,000,000 was paid to employees of the Company and affiliates in wages, salaries and benefits. Dividends amounted to $82,000,000.



THIS SHOWS THE AMOUNT OF NET INCOME accruing to the interest of Jersey shareholders during 1946. It shows also the proportion paid to these shareholders in dividends and that left in the business to meet future capital expenditures, etc.



COPIES OF THE FULL REPORT are available on request. Address Room 1626, 30 Rockefeller Plaza, New York 20, N. Y.

STANDARD OIL COMPANY (NEW JERSEY)

AND AFFILIATED COMPANIES

Railroad Securities

Delaware & Hudson stock has not been immune to the general pessimism that has enveloped the entire list of railroad equities in recent months, but at least it has been receiving enough buying support to avoid hitting consistent new lows such as the majority of other rail stocks of similar caliber have been doing. Many rail analysts consider the stock to have interesting potentialities at current levels and the 10.8% income return afforded on the present $4.00 dividend rate is certainly attractive.

One of the most favorable factors pointed to in the Delaware & Hudson picture is the very substantial debt reduction progress made in recent years. The railroad subsidiary in 1943 was not able to meet the maturity of its 1st & Refunding 4s and sale of a refunding issue was not feasible. Holders were given 10% of their principal in cash with the balance extended at the same interest rate for 20 years. Since that time the issue, the largest by far of the system, has been reduced by more than a half. Leased line obligations have also been reduced and heavy inroads have been made in the debt of the coal company subsidiary, Hudson Coal.

Through the process of debt retirement the fixed charges of the railroad operating company and its leased lines have been cut down to roundly $1,900,000 and consolidated charges to approximately $2,900,000. In the late 1930s the consolidated fixed requirements were in excess of $5,000,000 a year. The reduction in these charges has been equivalent to about $4.00 a share on the parent company's stock before Federal income taxes. Moreover, with earnings prospects continuing bright there is a strong likelihood of further progress along this line in 1947 and early future years. Last year non-equipment debt of the railroad operating system was cut by more than $9,000,000 to $39,218,600. Hudson Coal reduced its publicly held debt by $1,485,000 last year to $18,178,000. This issue, maturing in 1962, has the benefit of a sinking fund based on tonnage of coal mined.

Over the long term there has been one major basic weakness in the Delaware & Hudson picture. That has been the strong dependence on anthracite coal. Anthracite coal over the years has consistently been losing ground to other fuels such as oil and gas in the domestic heating field. There seems to be little prospect that this competitive pressure will be relieved. As a matter of fact, there is a distinct possibility that further inroads in the use of anthracite coal will be witnessed in coming years. Prior to the incidence of war distortions Delaware & Hudson was running between a quarter and a third of total freight revenues from this one commodity.

Delaware & Hudson in some respects appears to be in a somewhat more favorable position than other major anthracite carriers. Substantial markets for its coal have been developed in New England and Canada. These markets are not so vulnerable as others to the competitive fuels because of climatic conditions and less efficient distribution systems for the oil and gas. Resurgence of iron ore mining in parts of New York State and location of new industries along the line have developed new traffic sources to partially offset the losses there have been. Finally, the management has been particularly aggressive in building up bridge line traffic to and from New England. Many analysts are of the opinion that the future prosperity of the company lies largely in the further development of this profitable interchange movement.

The company had a highly profitable year in 1946, with earnings on the parent company stock (the only stock outstanding) of $8.22 a share. Of this, roughly half was accounted for by net income of the railroad properties. For the first quarter of the current year income of the railroad properties available for charges rose 88% from a year earlier to an estimated level of $1,528,000. On the basis of results so far, the 1947 earnings should at least match the 1946 showing which would provide more than adequate protection for the present dividend.

Announce Formation of Gersten & Frenkel

Announcement is made of the formation of Gersten & Frenkel, with offices at 150 Broadway, New York City, to act as brokers and dealers in investment securities. Partners are Irving Gersten, formerly a partner in Shepard, Scott & Co., and Lester Frenkel, previously Treasurer of Frenkel, Kovac & Co. Associated with them will be Paul Kovac as manager of the sales department and Milton Keizer in the trading department.

Formation of Gersten & Frenkel, which holds membership in the National Association of Securities Dealers, Inc., and the New York Security Dealers Association, was previously reported in the "Financial Chronicle" of April 10.

Truman in His Home Town

By ROGER W. BABSON

Mr. Babson discusses comments on President Truman in his home town and prospects of his reelection. Says Kansas City and St. Louis hold stock market is discounting Truman's reelection, and that Secretary Marshall will be running mate.

Independence, Mo., where I am writing this, is a typical small western city. Its life depends largely on the farmers living about. They are industrious and honest people in Independence and, as the name suggests, they are both democratic and independent.

Roger W. Babson

The townspeople had known Harry Truman as an unsuccessful storekeeper who was more interested in politics than in business. In those days this required faithfulness to the Pendergast Machine. Hence, his Independence friends were not surprised when he was rewarded with petty political jobs. When, however, he was made U. S. Senator by the Pendergast gang, their respect both for the U. S. Senate and the Pendergast Machine fell pretty far and low.

As time went on, the townspeople came to believe that "Truman is as good as the rest of that bunch down in Washington and perhaps a little better." However, when their fellow townsman was nominated and elected Vice-President, they again were shocked and again became skeptical of the whole U. S. Government. These Independence people are still asking today: "Tell us—Mr. Babson—why did President Roosevelt want him as a running mate? He must have known that he himself would not live to finish off his term."

Truman's First Two Years

The way President Truman acted in the early part of his term confirmed the pessimistic fears of his townspeople. His appointments, his public statements and his private acts appeared to be those of a small town politician who simply did not know what it was all about. His apparent desire to please everyone, brought him enemies both amongst the New Dealers and the Conservatives. Truman's stock tumbled thick and fast, even though he started out with a friendly press.

Everyone out here agrees that Harry Truman is honest and wants to do what is right. He is modest and doesn't think he has the answers to all the questions. He is willing and anxious to take advice from those whom he trusts. All this means that Truman's future and the country's future, for that matter, depends upon these friends to whom Truman turns for advice. If these men are honest and wise, Truman will make a good president. Today his followers appear to be such.

Will Truman Be Re-Elected?

If the Presidential election had been a year ago, Truman would have been terribly defeated. If the election were today, Truman would have a good chance for reelection. Probably the answer lies with how he handles the veto power during the next year—and who is to be his running mate. Owing to the recent deaths in office of President Harding and President Roosevelt, voters are beginning to consider the Vice-Presidential candidate of both tickets. Hence, it is especially important that President Truman has a strong running mate. This brings me to the chief new item of news which I got in Independence, Mo.

The people of Truman's city believe that Secretary of State George C. Marshall will be the running mate. "Didn't he promise that he would not run for the Presidency?", I asked. To this question the reply was, "Yes, but that applied only to the Presidency. Marshall never promised he would not accept the Vice-Presidential nomination." These people here believe that Mr. Marshall will stick to his trade and that Mr. Truman and his backers so believe. Hence, they are free to build up Mr. Marshall anticipating his nomination for Vice-President.

Stock Market Discounts

When in Kansas City and St. Louis I asked friends: "What's the matter with the stock market?" They replied: "The stock market today is now discounting Truman's re-election in 1948!" I pass this along only as your reporter without comment.

Louis K. Comstock Chosen to Arbitrate Wage Dispute at A. M. Kidder & Co.

By EDMOUR GERMAIN

Jan. 31, 1948 emerges as important day for labor relations in Wall Street. All contracts of United Financial Employees, AFL, with employers, including one being negotiated now with A. M. Kidder & Co., terminate on that day. At union's request, State Labor Board will conduct election among employees of Drysdale & Co. next Wednesday to determine collective bargaining agent. Office Employees International Union, AFL, asks for election among employees of Public National Bank. Elevator operators at 25 Broad Street on strike over wages.

The date of Jan. 31, 1948 emerges suddenly as an important one for the Wall Street exchanges and brokerage houses to remember—important, that is, from the point of view of their labor relations—because that is the day when all contracts which the United Financial Employees, AFL, has with employers will expire.

The revised contracts which the union has with the New York Stock Exchange and the New York Curb Exchange and the contract it has with the New York Cotton Exchange all terminate that day. The contract which the union is now negotiating with A. M. Kidder & Co. will likewise terminate then. A pattern for possible industry-wide bargaining of wages and other issues would thus seem to be evolving out of the union's attempt to organize the brokerage industry on the basis that the securities exchanges, particularly the NYSE, are the points upon which all else is to be based.

The union claims now the only reason it sought elimination of the 30-day cancellation clauses from the contracts with the NYSE and Curb during the recent strike threat was because the advantage in such action lies entirely on its side. The union says it does not anticipate necessity for the use of any such powers implied in the 30-day cancellation clause anytime between now and Jan. 31, 1948.

The difficulties between the union and A. M. Kidder & Co. are being gradually ironed out. Both parties have agreed to the selection of Louis K. Comstock, prominent in the Commerce & Industry Association, as arbitrator of the wages question and representatives of both the union and the firm are scheduled to hold their first meeting with him sometime today.

At the union's request, the State Labor Board will conduct an election among the employees of Drysdale & Co. at the company's premises, 71 Broadway, next Wednesday, May 21, at 3:30 p.m. to determine collective bargaining agency.

Another AFL union, the Office Employees International Union, Local 153, which seeks to organize the employees of the city's major banks and looks upon the financial district as just another part of the city, thus, in effect, sharing jurisdiction of the area with the UFE, has likewise asked the State Labor Board for certification as collective bargaining agent for the employees of the Public National Bank and its 25 branches and the State Labor Board will conduct a hearing in the case tomorrow at 11 a.m.

The elevator operators of the City Investing Company's building at 25 Broad Street are on strike in a wage dispute which goes before the New York State Mediation Board tomorrow. Elevator operators throughout the city, including the operators at 25 Broad Street, were granted $8.60 increases recently but since the pay scale at 25 Broad Street had been above the scale prevailing in the industry, the City Investing Company merely brought the wages of its operators at 25 Broad to the new prevailing scale. The dispute thus centers around $3.60 which the elevator men claim is still due them. Meanwhile, the tenants of the 21-story building must climb up the stairs to their offices.

With E. E. Henkle Co.

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, NEB.—John J. Brittan is now with E. E. Henkle Investment Co., Federal Securities Building.

Robert B. Keeler Is Now With Clair S. Hall & Co.

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Robert B. Keeler has become associated with Clair S. Hall & Co., Union Trust Building. Mr. Keller has recently been with the War Assets Administration. Prior thereto he was with Hornblower & Weeks and Otis & Co. in Cleveland.

Joins E. G. Taylor Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, OHIO—Ralph D. McAfee is now affiliated with Edw. G. Taylor & Co., 111 East Fourth Street.

With McDonald & Co.

(Special to THE FINANCIAL CHRONICLE)

AKRON, OHIO — Worthington K. Bromley, Jr., has been added to the staff of McDonald & Co., First Central Tower Building.

World Bank Grants First Loan to France

Credit of $250 million initiates institution's operations. Maturity is 30 years, interest rate 3¼% plus annual payment of 1% to reserve fund. Repayment of principal begins after 5 years. Money will be used to import specific goods for nation's rehabilitation.

The International Bank for Reconstruction and Development announced on May 9 the granting of its first loan, a $250 million credit to France. The credit is issued to Credit National, a semi-public French corporation, and is guaranteed by the Republic of France.

The loan agreement was signed for the Bank by John J. McCloy, President, and on behalf of the Credit National by Wilfrid Baumgartner, President. The guarantee agreement was signed by Henri Bonnet, Ambassador of France.

A statement issued by the Bank summarizing the details of the agreement, follows:

SUMMARY STATEMENT OF THE LOAN GRANTED TO FRANCE

The $250 million loan granted to France is the first to be made by the Bank. It initiates its operational phase. The loan is one of a type that the Bank is empowered to grant by its Articles of Agreement.

The Terms and Conditions of the Loan: The loan has the full guarantee of the French Government. The loan is for a period of 30 years. It is to carry interest at the rate of 3¼% to be charged from the date of disbursement. In accordance with the Articles of Agreement of the Bank, a yearly commission of 1% is to be charged on the outstanding portion of the loan to build up a special reserve.

The national recovery program calls for heavy imports during the next five years. Therefore no repayment of principal is scheduled for this period. Thereafter, amortization begins at a modest rate and increases gradually so that the loan is completely amortized by its due date.

Purpose of the Loan: The loan is being made to assist France in the reconstruction of its wartorn economy and to finance the import of specific goods and equipment necessary to its economic rehabilitation. The Bank will obtain full information about the goods to be purchased with the proceeds of the loan and about their destination and utilization. France will be free to purchase in whatever markets are most advantageous. A portion of the proceeds will be devoted to the modernization of the steel industry. For example, the French are purchasing equipment for a modern continuous strip mill. The transportation system is to be improved by the purchase of locomotives and freight cars, cargo ships and canal barges, and commercial airplanes. Coal and oil, essential to industry and transport, figure largely among the prospective purchases, as do industrial raw materials, including semi-finished steel products and non-ferrous metals. Under the loan agreement, the Bank will obtain full information concerning the goods to be purchased with the proceeds of the loan and about their destination and utilization.

The Request: The loan is the result of an application by the French Minister of Finance, dated Oct. 8, 1946, for a loan of $500 million, to be granted to the

(Continued on page 34)

Significance of French Loan

France's chagrin over loan's amount, effective interest charge and delay reported as assuaged by prospects of another credit in October. Some clauses serving as future pattern. Correspondent reports laxity in supervisory provisions, and existence of doubt over use of proceeds.

WASHINGTON, D. C. (Special to the "Chronicle")—The World Bank loan to France takes care of less than half of the $540,000,000 deficit in the 1947 balance of payments anticipated by the French when the application was filed last October. In this respect the loan is a disappointment to France. However, there is an understanding with the Bank that negotiations looking toward another loan will be resumed in October.

France also is disappointed at the delay which has occurred in processing the application, but must realize that more than three months thereof was unavoidable, being the hiatus between the announcement of Mr. Eugene Meyer's resignation and the assumption of the post by Mr. McCloy.

The heavy cost of the loan to France, 4¼%, including interest and commission, is also regretted in French circles. The Bank, of course, which must finance its loans out of money it expects to borrow here, commencing in June — when a $250,000,000 issue will be floated — expects to have to pay 3% interest. In addition to this, and the statutory 1% commission to build up a reserve, the Bank is charging ¼% to cover expenses.

It was originally the purpose of the present management of the Bank to announce the Danish and French loans simultaneously, but the Danish loan was not quite ready when Mr. Wilfred Baumgartner had to leave for France, so the French loan was announced alone.

A Pattern

The French loan in effect is a pattern for subsequent loans to other countries. For this reason it contains clauses which do not apply to France. Also the negotiations were extended by discussion of still other provisions. For example, the Bank wanted in the contract a gold clause, to protect it against devaluation of the dollar, the writer is told, but in the end this idea was dropped.

The French loan contract, however, does contain a "dollar clause" protecting the Bank against devaluation of other currencies which may be lent to France. This clause is an example of provisions in the contract not applying to France, but inserted because the contract serves as a model for future borrowers from the Bank, since the French have no intention of using the proceeds of the loan in any form other than dollars.

Protection Against Dilution

Another matter which came up in the negotiations dealt with the safeguarding of the Bank against France's diluting its credit by borrowing elsewhere. As the matter finally was arranged, France agrees to supply the Bank information as to its financial activities. Whether the identical language will be incorporated in contracts of the Bank with other borrowers is not known, but it is apparent that the need for such a clause varies considerably as from

(Continued on page 34)

Boylan Heads Board Of NY Stock Exchange

At the annual election of the New York Stock Exchange the following officers were elected:

Chairman of the Board of Governors: Robert P. Boylan.

Seven members of the Board of Governors, for three year terms: William K. Beckers, Spencer Trask & Co.; Snyder P. Bradshaw, Clark, Dodge & Co.; David S. Foster, Pershing & Co.; Joseph Klingenstein, Wertheim & Co.; Ronald H. Macdonald, Dominick & Dominick; Sidney L. Schwartz, Sutro & Co. (San Francisco); and Jay N. Whipple, Bacon, Whipple & Co. (Chicago).

Robert P. Boylan

Two members of the Gratuity Fund for the term of three years: Thatcher M. Brown, Brown Brothers Harriman & Co., and Laurence M. Marks, Laurence H. Marks & Co.

Five members of the nominating committee for the term of one year: Harold W. McEvoy, Winslow, Douglas & McEvoy; Benj. F. McGuckin, Brinton & Co.; John O. Middlebrook, Harris, Upham & Co.; William D. Dana, Burton, Cluett & Dana; and George J. Leness, Merrill Lynch, Pierce, Fenner & Beane.

Blyth & Co. Offers So. Calif. Water Bonds

Blyth & Co., Inc., publicly offered May 14 a new issue of $5,100,000 Southern California Water Co. first mortgage bonds 2⅞% series due 1977. The bonds were awarded to the investment bankers at competitive bidding May 13 on a bid of 102.08, and are being reoffered at 102¾ and accrued interest, to yield 2.74% to the purchaser. 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.

The new bonds are subject to redemption, apart from the sinking fund, at 105¾ until May 1, 1948, and at prices declining thereafter to par. After this financing, capitalization will consist of 32,000 shares of $25 par value 4½% preferred stock, 32,000 shares of $25 par value 4% preferred, 61,932 shares of $25 par value common stock, and the bonds now being marketed.

New York Stock Exchange Weekly Firm Changes

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

Name of Mary L. Delafield, limited partner in Delafield & Delafield, is now Mary L. Williams.

Richard R. Thomas, member of the Exchange, retired from partnership in Blanchard, Snow & Watts on May 6th.

Clauds S. Newman Dead

Claude S. Newman, member of the New York Stock Exchange, and a partner in the firm of Ira Haupt & Co., died at the age of 65. Mr. Newman began his career in New Orleans, coming to New York in 1912 where he was a member of Newman Brothers & Worms, which merged with Ira Haupt & Co. in 1942.

Southern California Edison Co. Embarks on Large Expansion Program

The Southern California Edison Co. is now engaged in the largest preferred stock refunding operation ever undertaken by a public utility. It involves the exchange of a combined total of 3,306,858 shares of new 4.32% preferred and new 4.48% preference stock for 1,907,256 shares of 6% and 1,399,602 shares of 5½% preferred stock now outstanding.

Wm. C. Mullendore

An underwriting group of 188 firms headed by The First Boston Corporation and Harris, Hall & Co. (Incorporated) has underwritten the exchange offer and approximately 800 securities dealers are now engaged in soliciting acceptances. The offer will expire May 26.

Wm. C. Mullendore, President of Southern California Edison Co., has announced that the largest construction program in its history will be required to meet the increased demand for electric service in the territory the company serves. The refunding operation is part of a program to revamp the company's capital structure so that new money for this construction program can be obtained on favorable terms.

Runnion Will Manage First Secs. in Charlotte

CHARLOTTE, N. C. — William L. Runnion will become manager of the branch office of First Securities Corporation in the Liberty Life Building as of May 15th. Mr. Runnion was formerly with Amott, Baker & Co. in New York City.

Thomas A. Broocks will represent the firm in Greensboro.

Gerrodette & Sons Co.

SEATTLE, WASH.—H. E. Gerrodette is engaging in a securities business under the firm name of Gerrodette and Sons Co. from offices at 1411 Fourth Avenue.

Mutual Funds

By HENRY HUNT

Portfolio Changes During the First Quarter

An analysis of first quarter statements of leading mutual funds discloses the following interesting facts:

(1) Oil stocks, particularly Standard Oil (N. J.), Gulf, Phillips, Secony-Vacuum, Continental, and Standard (Indiana), were heavily bought.

(2) Rubbers, particularly Goodrich, Goodyear, U. S., and Firestone, were sold.

(3) Other leading issues that were sold on balance included Kennecott Copper, Paramount Pictures, Montgomery Ward, Allied Stores, Sears Roebuck, Pennsylvania RR., and Great Northern, pfd.

(4) Individual issues that were purchased on balance included: U. S. Gypsum, American Gas & Electric, Minnesota Mining & Mfg., Monsanto Chemical, Pennsylvania Power & Light, Continental Can, and Aluminum Co. of America.

(5) Common stock holdings as of March 31, with aggregate market value in excess of $10,000,000 each included: Montgomery Ward, Standard Oil (N. J.), North American Co., Gulf Oil, Dupont, Paramount Pictures, Sears Roebuck, Texas Co., and Middle West Corp.

Cash and U. S. Governments position during the first quarter rose from 8% to approximately 10½%.

No Recession Until 1948?

The current issue of "Abstracts" published by **Lord, Abbett & Co.** quotes from the comments of Mr. F. D. Newbury, Vice-President of the Westinghouse Electric Corporation on the business outlook as follows:

"(1) We see no reason to expect a cyclical recession in 1947. On the contrary, we look for stabilized wholesale prices, steady or rising employment, production, and national income during 1947.

"(2) We expect manufacturing and consumer buying in 1947 to be different from 1946 in the relative positions of perishable and semi-durable goods industries, on the one hand, and durable consumer and producer goods, on the other. As compared with 1946, soft goods will decline, but the durable group will increase, and it is the durable goods industries that are the bellwethers which lead major cyclical changes.

"(3) Sometime during 1947 we expect that new orders for durable goods will decline below production.

"(4) This natural and to-be-expected development in the heavy goods industries will set the stage for some mild recession in 1948, possibly extending into 1949.

"(5) But businessmen can look for relative stability over the next half-dozen years comparable to, although less than, the stability of the years 1922-28. Fluctuations may be larger than they were during that period, yet not as large as during 1920-22."

It seems to the writer that in certain lines, notably soft goods and luxury items, a business recession has already set in.

The Investor's Dollar Goes Further Today

The current issue of "National Notes," written by Henry Ward Abbot of **National Securities & Research Corporation**, comments on what your dollar buys today in relation to the amount your dollar bought in 1939. "Every housewife knows that beef, butter, and eggs cost more than twice as much today as they did before the war —that she gets less than half as much for her dollar when she buys her meat and groceries. Yet the average investor doesn't realize that, in terms of earnings and dividends, he can obtain substantially **more** for his dollar today through the purchase of seasoned common stocks than he could have in 1939. For that matter, he obtains more for his money today than he did in 1938, 1937, 1936, 1935—in fact, more than he could get in the last 20 years excepting at the bottom of the depression in the early 30's and at the 1942 market lows."

A chart shows that in percentage of the amount a dollar bought in 1939, the investor now obtains 28% more in dividends and 75% more in earnings than he did before the war. On the other hand, he obtains far less of all leading commodities.

Time to Buy Fire Insurance Stocks?

The recent increase in fire insurance rates in New York and Massachusetts, which will probably be followed by similar action in other states, has focused the attention of investors on fire insurance stocks.

In a recent pamphlet, **Hare's Ltd.** comments on the fact that although fire insurance stocks have proven to be more profitable holdings than industrial stocks over the past 30 years, during the past five years, as a result of climbing fire losses, they have proven less than half as profitable. With some of the strongest issues currently selling below liquidating value and yielding 4% or better, they would appear to offer attraction as long term holdings.

Notes:

As of March 31, 1947, **Eaton & Howard Stock Fund** showed net assets of $1,479,000, diversified as follows: Cash and U. S. Governments 6.2%; preferred stocks 11.1%; common stocks 82.7%.

Hugh W. Long has a new bulletin on "Dollar Averaging" as applied to **Fundamental Investors.** It shows that a quarterly investment of $300 during the past decade, or a total investment of $12,000, was worth $16,633 at the beginning of 1947, while distributions totaling approximately $4,500 would have been paid during the preceding ten years.

Calvin Bullock has a new folder describing **Bullock Fund, Ltd.**

The Keystone Company of Boston has a folder describing "5 Investment Advantages of Mutual Funds."

Szymczak Interviewed on Germany

By Our Washington Correspondent

OMGUS Trade Chief, in interview, emphasizes the need of currency reform for German economic stability. Asserts labor movement fears price rises.

M. S. Szymczak

WASHINGTON, May 14—Upon his return from Germany, where he served temporarily as chief of the trade and commerce branch of the office of U. S. Military Government, Governor Matt S. Szymczak of the Federal Reserve Board discussed with this correspondent the need for German currency reform. The Governor said:

"The restoration of such economic stability in Germany as will be conducive to growth of democratic government is paramount.

"Therefore, currency reform is required. The proposals so far made are the best and most rounded plan for achieving this.

"Yet, looked at from another angle, the area of the legal wage and price structure still predominates in the German economy: 90% of all income is earned at wage rates almost identical with 1939. Rationed food and other rationed consumer goods are sold at legal prices. Most large manufacturing and most basic industrial concerns transact all of their business at legal prices which are at 1939 levels or not more than, on the average, say, 30% above 1939 prices. However, given the underlying financial situation, the power of the legal Reichsmark to command goods and services is in large part illusory.

Unique Situation

"The present-day German situation is unique. It is possible to continue to hold the present general level of wages and prices in the face of the pressures, as it has been held for the past 20 months. If there is adequate currency reform, the danger of a crumbling away of controls into open, active inflation would be largely removed. Although many price problems would remain, it would be technically possible to solve them and come out with a general level of prices and wages which represented no drastic reduction of the value of the Reichsmark.

"The German labor movement is committed to their preference for wage stability if prices can be held. This fear of inflation is one of the most dominant and most vital expressions of public opinion in Germany today. It must be taken into account in making policy.

"Adjustments within the structure of internal prices are being made. Adjustments of individual prices to higher manufacturing and raw material costs are being made. Adjustments between internal prices and world-market prices can be made. None of these adjustments requires any considerable departure from the overall aim of maintaining the general level of wages and prices at the prewar, wartime and present-day level.

"Accordingly, there is nothing in the current price and wage situation which requires an exchange rate substantially different from the rate existing before the war. To the extent that other price structures have risen and the German has been relatively stable, an appropriate Rechsmark exchange rate would be higher than the prewar rate of 40 cents. To the extent that individual upward adjustments are being and will be made in German prices, an exchange rate of somewhat less than 40 cents would be called for—perhaps 30 cents; a 25 cent rate should discount for some time in future the necessary price and wage changes."

Kuhn Loeb Offers Bds. Of Southern Pacific

A banking group headed by Kuhn, Loeb & Co. on May 14 offered a new issue of $22,500,000 Southern Pacific Co. San Francisco Terminal first mortgage bonds, series A, 3⅜% (at a price of 100.45% and accrued interest. The bonds, maturing June 1, 1975, were awarded to the syndicate at a competitive sale May 13 on a bid of 99.30.

The company will use the proceeds from this sale, together with other necessary funds, to redeem on Oct. 1, 1947, at 105% and accrued interest, $24,767,600 principal amount of 4% first mortgage bonds, due April 1, 1950.

The new bonds will be redeemable at 103¼% on or before May 31, 1949, and at prices down to 100% for redemptions made after June 1, 1974.

The San Francisco Terminal properties, to become subject to the lien of the first mortgage, consist principally of main line tracks, yard switching tracks, industrial sidings, warehouses, freight terminals, locomotive and car repair shops and various other buildings and lands situated in the City of San Francisco and in San Mateo County, California.

Charles A. Parcells Co. Admits Chas. Exley

DETROIT, MICH.—Charles E. Exley has been admitted to the firm of Chas. A. Parcells & Co., Penobscot Building, members of the Detroit Stock Exchange. The new partner, who was born in Trinidad, B. W. I. but has lived in the United States for 24 years, is a Griswold Street veteran, having been associated with Parcells for 17 years in the capacity of trader and salesman.

The firm is the oldest local member of the Detroit Stock Exchange.

U. G. Roman Joins Adams & Co. Staff

CHICAGO, ILL.—U. G. Roman, well known on La Salle Street for more than fifteen years including eight years as a floor trader on the Chicago Stock Exchange, has become associated with Adams & Co., 231 South La Salle Street, specialists in over-the-counter securities, it was announced by J. K. Hoshor, President of the company. Mr. Roman was previously with Enyart, Van Camp & Co.

Hentz 25-Year Club

The Twenty-five-Year Club of H. Hentz & Co., held its annual dinner meeting at Chateau Tavern May 12. Three new members were admitted, bringing the total membership of the club to 26.

Joins L. A. Huey Staff

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—Jack V. Brotherton has become connected with L. A. Huey Company, Omaha National Bank Building.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The government market continues to be fairly active, with a good tone, as prices move in a narrow range. . . . Although there seems to be considerable difference of opinion about future developments, that could have a direct bearing on prices of Treasury issues, the market is not very much disturbed yet by the lack of agreement over what might take place. . . . While investors are cautious, they are not particualrly bearish, with a few exceptions. . . . On the other hand, they are very conscious of the changed business conditions, and this is responsible for the desire to purchase only the most riskless obligations, when commitments are made. . . . Because earnings are still on the decline, some of the commercial banks have been and still are taking on selected government issues in moderate amounts. . . .

These purchases, along with the absence of large offerings, have kept the market for eligibles pretty much on an even keel. . . . There is also some switching from the intermediates into the longest bank 2½s. . . .

Price movements are still being watched very closely by the powers that be, because they continue to sell issues to those that are looking for securities, in order to keep the market within recent trading areas. . . .

Reports indicate that the heaviest selling by "Federal" has been in the restricted obligations, which are still the best acting securities. . . .

LARGE DEMAND

There is no doubt a large potential demand for these issues, which could become very important market-wise if economic conditions are to deteriorate, as is believed by some in the financial district. . . . This leads to the opinion that there will be divergent price movements between the eligibles and the restricted obligations, with the latter securities in the favored spot. . . .

BILL REDEMPTIONS

The announcement of the redemption of $100,000,000 of Treasury bills, as against the previous calls of $200,000,000, gave the market a minor fillip (aided by short covering and no selling by Federal), although there apparently is not too much significance attached to it yet. . . . It does, however, illustrate the flexibility of a credit program carried out by the weekly redemption of bills, as contrasted with other measures that might have been adopted, which could not be altered as easily or as quickly. . . .

It is the opinion of many well-informed government market followers that the funds that are not being used to pay off weekly bills will be applied toward the redemption of the June certificates. . . .

While the repayment of certificates is important, it will not be as effective in limiting reserves of the banks as would be the retirement of bills. . . . The latest figures show that non-bank holders were the largest owners of the June certificates. . . .

DEFROSTING

It seems as though there are some who believe that short money rates will be unpegged before the month is over, and it would not be surprising to them if this action were to take place any day. . . . This is the reason for their bearish view of the market, because they are of the opinion that lower government security prices will result from the defrosting of the bill and then the certificate rates. . . .

While there is no doubt that the monetary authorities have adopted a bolder policy toward the money markets, because they are not as dependent upon them as they were during the war, there is no reason to believe that orthodox policies will not be followed now as in the past. . . . This should mean that credit policies will be dependent largely upon business conditions. . . .

Commodity prices appear to have passed the peak, and are on the down grade. . . . Business loans are declining, with New York City member banks reporting lower figures for the last five weeks. . . . The recession that has been so highly publicized is now here and many maladjustments have developed, some of which are resulting in unemployment. . . . How far this business decline will go is problematic, although the general feeling is that it will not be too long or too severe and will not turn into a depression. . . .

THE OTHER SIDE

Because of adverse economic conditions and declining commodity prices and loans, is there likely to be an immediate defrosting of short-term rates? . . . Will the money managers be inclined to adopt measures now that would have an unsettling effect upon prices of Treasury issues? . . . Would action be taken that might accelerate deflationary forces and add to the maladjustments in the economic system? . . . Assuming that the adjustment period is short, is it likely that there will be changes in short rates as long as similar results can be obtained through use of previously adopted controls? . . .

While there is no denying that the authorities can change short-term rates, whenever they want to, and it is not possible to predict how and when they will do so, there is considerable backing for the belief that not only will rates remain unchanged, but there is likely to be a discontinuance of the weekly redemption of bills in the not distant future. . . .

It is being pointed out that as commodity prices and loans continue to decline and unemployment spreads, there will be a turnabout in the credit policies of the money managers. . . .

If the redemption of Treasury bills should be stopped (as is believed by many), the opinion is held that the authorities can still keep government bond prices within limits, by supplying the market from time to time with issues that are not readily available in large amounts. . . . This could prevent key securities from moving away from the rest of the market, and would most likely forestall a general upsurge in prices. . . . Some feel that it might not be an unfavorable development to have government security prices advance slightly with adverse business conditions. . . .

INVESTMENT DILEMMA

The insurance companies and savings banks are faced with a real investment problem, because of the lack of mortgages. . . . The savings banks at their recent convention in Boston, Mass., brought the unfavorable mortgage situation to the forefront. . . . In the interim, what will these institutions do with their funds? . . . It may be some time before the building industry really gets under way, because of the high costs. . . . Will the investable resources of savings banks and insurance companies be kept in cash or put into short-term Treasuries or into the longer restricted issues? . . . Savings banks appear to be using a part of these funds for the 2¼s of 1959/62. . . . Insurance companies have bought some of the longest restricted bonds.

IBA Head for Both Debt and Tax Reduction

(Continued from page 8)

out of unexpended balances raised in the Victory Loan, but in part from cash receipts in excess of cash expenditures which excess is greater than the budgetary surplus because not all items in the budget represent current cash outgo. This debt reduction has taken place where it should, that is principally in short-term bank-held obligations. For a sound economy there must be not only debt reduction but a shifting of part of the debt out of short-term bank-held securities into longer maturities, into insurance company and savings fund portfolios, and into the hands of individual investors. Such a program is contemplated in the June and July savings bond drive, announced by the Treasury, and it is enlightened self-interest for every one of us to cooperate to the fullest possible extent.

"An unnecessary retention of Federal taxes at substantially wartime levels, as far as individuals are concerned, in my opinion, would be destructive of our economy. I hope at the present session of Congress a tax reduction bill is put into effect, not later than as of July 1, and that a thorough revision of our tax laws is promptly proceeded with, so that the next Congress may be able to deal with taxation in a comprehensive way. I believe a capital gains tax at, say, half the present rate, would not only produce more dollars for the Treasury but would lead to freer and more active securities markets. I have no doubt the present 25% capital gains rate stifles transactions.

"Rates, whether applying to corporations or individuals, that are too high, defeat their own purpose, destroy the incentives of new enterprise and hinder and reduce production and employment. High surtaxes, representing virtual confiscation of income in the upper brackets, represent a progressive penalty on individual investment and production effort. Historically, American business enterprise, whether corporate or individual, has started from small beginnings and grown great by reason of the ability to retain and reinvest a substantial part of profits. A long continued policy, contrary to this, is the surest way to foster monopoly and keep the small business from growing.

"Generally speaking, I am against separating the power of spending from the responsibility of raising the revenues. It was a policy of that kind, carried to extremes, which led to the German inflation and the collapse of its currency following World War I. Nevertheless, with the broader base for collecting taxes, imposed by the Federal and state governments, and the difficulty of collecting certain types of taxes at the local level, consideration may well have to be given, either to the state assuming and paying for some of the services now performed at the local level, or extending further aid to the communities to relieve the local tax burden."

Now Vice-President

Henry J. Vettel, was recently promoted from Assistant Vice-President to Vice President of The

Henry J. Vettel

Manhattan Savings Bank. Mr. Vettel has been with the bank for 24 years and is in charge of its uptown offices.

Chicago Exchange Member

CHICAGO, ILL.—Ralph W. Davis, Chairman of the Board of Governors of The Chicago Stock Exchange, announced the admission to membership of Walter W. Cruttenden of Cruttenden & Co. This membership is being transferred from Federick R. Tuerk, of the same firm.

Securities Salesman's Corner

By JOHN DUTTON

One day is not the same as the next: there are times to be up and doing, and there are also times when it is best to do nothing. Knowing "when to do" and "when not to do" is as important as knowing "what to do." "Timing" is an essential element of success when it comes to selling securities.

Consider your own attitude when you go forth to sell another an idea. Are you sold yourself—do you believe it is the time to invest? Do you have the right type of investment to offer to your customer? Are you physically in the mood to sell effectively—are you mentally alert? Is the weather right—is it a dull, cloudy day—is pessimism thickening the air around you? If so, there will be other days when the sun will shine and optimism will be in the air. Don't say "that's the bunk." If you have been observant concerning your own attitudes, changing moods, and the state of your mental and physical condition, you will find that there have been days that you could do almost anything and there were also days when nothing would "click."

Then consider what happens to your public in this connection. Your customers and prospects have their good days and bad ones too. They may be busy when you call or your telephone solicitation comes at the wrong time. May be their day is also befuddled and cloudy, or other more pressing problems preclude giving any attention to your proposition.

No one can know in advance the state of his prospect's mind but a salesman who knows his business will never press for an interview. The only time to talk convincingly to your "public" is when it is ready to listen. This means a relaxed atmosphere, free from pressure, and outside interruptions. If you can't get this sort of an environment for your discussion save your "act" for another time and another day.

For that is what selling means—you are an actor and the lines of your play can be the best ever written, but if you can't put your audience into a comfortable seat and dim the lights he may never hear them. That is why they give you soft music and the rest that goes with it in church—the movies—when they want to take up a collection for some worthy charity—or pull a fireside chat that goes into your home. It is a lot easier to take money away from anybody after they have had a good dinner—why beat around the bush—it has happened to each and every one of us.

Securities do not sell themselves—until that happy day comes those of us who make our living by going out and convincing others that they should risk their savings in some other fellow's business will have to remember that investors also act like human beings. They either like you or they do not—they trust or distrust you—they think you are wise or dumb—or they don't give a tinker's d——n about you. Your job is very simple—all you have to do is: first, find people with money to invest; second, get them in the right mood to talk with you; third, convince them they should risk their money in the security you are trying to sell them. If you can do this often enough to make a good living year in and year out, then, as Kipling said, "you'll be a man, my son," and no fooling.

Egypt Refused Loan of American Gold

Special to THE FINANCIAL CHRONICLE

WASHINGTON, May 14 — In April the Egyptian Government through its ambassador approached the State Department with a request for a loan of $88,000,000 in gold for the purpose of strengthening the gold cover behind the note issue. The present cover is only about 12½% and the requested loan would approximately double it. Before World War I the cover was about 100%, the Embassy in Washington states.

Last week the "Chronicle" was told that the United States Embassy in Cairo had advised the Egyptian Government that the United States could not grant Egypt's request and had never before made such a loan. Egypt apparently wanted the money for 15 or 20 years. The American Embassy is reported to have explained that the wartime loan to China, about $200,000,000 of which was sent in the form of gold flown "over the hump" was not an analogous transaction.

Egypt expects to apply to the World Bank for the loan of the gold, since the Bank is authorized to make loans for currency stabilization. Actually, it is not clear whether the Egyptian pound needs stabilization through gold reserves, or whether the Egyptian request stems merely from a desire to achieve a psychological effect at home.

World Bank Out of Gold

Special to THE FINANCIAL CHRONICLE

WASHINGTON, May 14 — The World Bank's balance sheet of March 31, 1947, shows that no gold is held by the institution. It is understood that towards the end of 1946 the Bank sold what gold it had received in payment of calls on member countries' subscriptions. It is reported that after testing the market with an issue of about $250,000,000 this summer, the World Bank—according to present plans—does not expect to make another offering for about six months.

Taft-Hartley Bill Is Slave Labor Legislation

(Continued from page 7)

tion to curb the effectiveness of unions.

Let us examine this claimed "mandate." Undoubtedly, the voters in the last election were disturbed by high prices, by postwar shortages, by the failure of government controls and by recurring labor-management strife. The people were sick of war on the industrial front. They wanted peace and production.

But if the Taft-Hartley program passes, the people will not get what they want. Instead, they will get complete chaos in the nation's industrial life. By destroying the most effective methods of peaceful collective bargaining, by attacking union security and by giving hostile employers unfair advantages over labor, these bills would promote the worst outbreak of industrial strife ever seen in this country.

As the debate in Congress progresses, the hypocritical claims for this legislation are being stripped away and the real motives are being exposed. For instance, Congressman Hartley, Chairman of the House Labor Committee, admitted on the floor of Congress that his bill is intended "to break the unions down to the local level." Let me explain right here that means breaking the unions entirely, because no local union can hope to bargain effectively on even terms with a nation-wide industry.

An Employers' Bill?

A few days later, Senator Robert Taft, Chairman of the Senate Labor Committee, told the Association of American Newspaper Editors that his bill contained two-thirds of the matters "strenuously pressed upon us by employers." We asked Senator Taft to name these employers but he never did. Were they the same crowd of high-priced lawyers and lobbyists for the National Association of Manufacturers who have been charged in Congress with having drafted the Hartley Bill? The same tight little group of labor-hating employers who have for generation after generation fought so bitterly against every decent reform and every bit of progress for the good of the common man? The same interests who promised the American housewife lower prices if government controls were killed — and then made a killing? The same reactionary crew who opposed social security, laws against child labor in factories, the 40-hour week and bank-deposit insurance?

I would like to ask Senator Taft why he listened to such employers and why he refused to give a hearing to the thousands and thousands of fair employers who get along well with labor unions and oppose the drastic provisions of his bill because they realize such legislation would hurt business almost as much as labor? Why did he fail to obtain their testimony? Why were the few employers with complaints the only ones to be given a chance to testify? Is that the way to obtain a factual basis for legislation?

For every employer who "pressed" for the anti-labor proposals, I can produce a hundred who oppose them.

Four Attacks on Unions

The real purpose behind this legislation is to weaken and destroy labor unions. That purpose is reflected in every line, sentence and section of the Taft and Hartley bills. No pious denials by the sponsors of the Taft-Hartley program can change this fact. If they have their way, labor unions will be reduced to an impotent status, powerless to defend their members and to protect the American standard of living.

How would this be brought about? By four direct attacks against union security.

First of these is the provision which seeks to impose the compulsory open shop upon American industry. Out of years of experience in collective bargaining, we have now reached the point where 40% of the union workers in the nation are covered by some type of union-shop contract with employers. These arrangements, voluntarily entered into by labor and management, have helped to make America the greatest industrial nation in the world. The highest records for production during the war were attained by plants operating under union-shop contracts. Where such contracts are in force, the employer derives the advantages of stability, efficiency and friendly relations with labor. The workers, in turn, gain high wage standards and good working conditions. The public at large benefits because high production, efficiency and good labor-management relations result in lower prices and better service.

Employers, in growing numbers, recognize the value of union-shop contracts. The late Henry Ford was an outstanding example. For years he insisted on running his automobile plants on an open shop basis. But when the union won an election, Mr. Ford voluntarily and of his own free will announced he wanted to sign a union-shop contract. He did so because he considered it good business. And he kept the union shop because he learned it was good business.

Is it possible that Congress is now going to tell the Ford Mfg. Company and many thousands of other employers that they can no longer operate under such contracts which they consider desirable, just as labor does? Is Congress going to strike the first blow at the free enterprise system by dictating to management and labor? Is the freedom of contract, guaranteed by our Constitution and upheld by the Supreme Court of the United States, going to be destroyed by one, ill-considered legislative blow?

The second punitive feature of the pending legislation is the proposed ban on industry-wide bargaining. The Senate, just the other day, defeated Senator Taft's attempt to accomplish this. However, industry-wide bargaining is still forbidden under the Hartley Bill as passed by the House of Representatives. This prohibition is intended to "break unions down to the local level," as Congressman Hartley admitted. It would help only the few chiseling employers who want to undercut their competitors by reducing wages. It would wreck the most effective machinery in existence today for labor-management peace in many industries. No wonder the Senate rebuffed Senator Taft and defeated it.

The third, deliberately punitive provision authorizes damage suits in the Federal Courts against unions. This pernicious plan is intended to help a few vindictive employers who might want to harass and bankrupt a union by flooding it with lawsuits. But no sensible employer would even consider it. He would realize the folly of trying to improve his relations with labor by calling in lawyers and suing for damages.

The fourth attempt to inflict direct punishment upon labor in this legislation is contained in the sections which would restore the evils of government by injunction. Enforcement of this would bring about involuntary servitude, a punishment which the Constitution of the United States declares cannot be imposed upon any individual except as a punishment for crime.

The Hartley Bill virtually repeals the Wagner Act and distorts its whole meaning. The Taft Bill rewrites the Wagner Act to a point where it becomes unrecognizable. Thus labor's Magna Carta would be transformed from a guarantee of industrial freedom and democracy to an instrument of oppression against the members of labor unions. These provisions would pull labor and management apart and place a huge new bureaucracy between them. Those who protested about wartime government controls will have reason to complain even louder if this legislation becomes law, because it will create more Federal red tape than all the wartime regulations put together.

The American people will reject such totalitarian invasions of their freedom, their security and their hopes of prosperity. The question then occurs: since these bills are obnoxious, can any constructive and helpful legislation be drafted?

In my sincere opinion, no new legislation is necessary. Labor relations, as many a wise employer has discovered, are really a problem in human relations. The problem cannot be solved merely by passing a law. Good will and sincere compliance with existing laws calling for fair collective bargaining constitute the best approach to industrial peace.

But no one person or group knows all the facts and all the answers. That is why President Truman urged Congress in 1946 to create a fact-finding investigation into labor-management disputes before attempting to pass legislation. The American Federation of Labor endorsed that proposal. Labor is not afraid of the facts. But Congress spurned the recommendation and passed the Case Bill, which the President vetoed.

Again this year, the President appealed to Congress to authorize a fact-finding investigation. Again Congress is ignoring his wise advice. Instead it is rushing headlong into the worst legislative blunder in the nation's history. I urge you, the people, to prevent this tragic mistake by making your voice heard in Washington.

Edward L. English With Gordon Graves & Co.

MIAMI, FLA.—Edward L. English has become associated with the Miami office of Gordon Graves & Co., Inc., Shoreland Arcade Building. Mr. English was formerly with Strauss Bros., Inc. and Corrigan & Co.

Edward L. English

R. E. Swart Dies

R. Emerson Swart, President since 1942 of Huyler's candy store chain, and Treasurer of the New York County Republican Committee, died May 6 in Tucson, Ariz., where he had gone recently to recuperate from a heart attack suffered last January.

Mr. Swart joined the investment banking firm of P. W. Chapman & Co., Inc. in 1923, serving as its Vice-President from 1925 to 1931. Later he formed his own investment firm under the name of R. E. Swart & Co.

Not an Anti-Labor Bill

(Continued from page 7)
discriminating between reasonable reforms, and proposals intended to put unions out of business.

After hearing the evidence, the committee drew its own bill. We listened, not only to the employers who wished changes, we were quite willing to listen to anyone who came forward with substantial proposals to meet the present situation.

The National Manufacturers Association had nothing to do with it, and the allegation of the various labor ads in this respect is pure demagogy.

Equal Bargaining Power

We heard the evidence. Wherever we found an injustice, we tried to correct it. Of course, the net result of correcting a number of injustices is, incidentally, to decrease some of the power of the labor union leaders. It seems to me that our aim should be to get back to the point where, when an employer meets with his employees, they have substantially equal bargaining power, so that neither side feels that it can make unreasonable demands and get away with it. If neither side feels that it can get away with certain demands, I do not believe that these demands will ever be made. If there is reasonable equality at the bargaining table, I believe there is much more hope for labor peace, and that is the method pursued by the bill which is now before the Senate.

Not Anti-Labor

It is not an anti-labor Bill. It is not a Bill inspired by a desire to wreak vengeance on anyone, because of what he may have done. It simply proposes to deal with the causes of labor trouble and the injustices and inequity of the present law.

Why is a Labor Bill necessary? Why is it demanded by an overwhelming proportion of public opinion? It is due to the fact that we have had a large number of strikes inconveniencing the public, and even threatening their safety and welfare.

I think, even more, it is demanded because of many injustices which have developed in labor relations. Injustices, which are perfectly clear to all the people who come in contact with particular disputes which, in effect, are without remedy in the courts under present laws.

Small Business Victims

I, myself, feel that the larger employers can well look after themselves. But, throughout the United States, there are thousands of smaller employers, smaller businessmen, who, under these existing statutes, have come gradually to be at the mercy of labor union leaders—either labor union leaders attempting to organize their employees, or labor union leaders interfering with the conduct of their business, for one reason or for another.

Originally, before the passage of any of these laws, the employer undoubtedly had an advantage in dealing with his employees. He was one man, the employees might be thousands, and he could deal with them one at a time. In negotiations of that character he had such a superior advantage that Congress came to feel that it must legislate specifically in order to correct that situation and bring about a balance.

Congress, therefore, passed the Clayton Act and the Norris-LaGuardia Act, in order to limit legal actions against unions. Congress passed the Wagner National Labor Relations Act, in order that the employees of a single employer might act as one in dealing with that one employer, in order that they might be on a sound and equal basis, a principle which, I think, no one can question, and which certainly is not questioned in the pending Bill.

Unions Immune

The difficulty with the Clayton Act and the Norris-LaGuardia Act is that they went at the situation with a meat axe. They practically eliminated all legal remedy against unions for any action taken by them. In effect, they provide, as construed by the courts at least, that any action by a union taken in order to advance its own interests, is proper and there is no legal recourse against the union.

The laws referred to, do not discriminate between strikes for justifiable purposes, and strikes for wholly illegal and improper purposes. They do not distinguish between strikes for higher wages and hours and better working conditions, which are entirely proper, and which throughout this Bill are recognized as completely proper strikes; and strikes in the nature of secondary boycotts, jurisdictional strikes, and strikes of the racketeering varieties.

The laws simply eliminated all remedy against any union, leaving the union leaders free, practically without any control, even by their members, to order strikes and boycotts!

It interfered, I believe, certainly unlawfully, under common law, with the activities of many other persons who were entirely innocent.

Wagner Act One-Sided

The National Labor Relations Act was enacted for a proper purpose, but the result of the actual administration of that Act has been completely one-sided. It was simply for the one purpose of equalizing, for permitting a large number of employees to act as one; in effect, to compel them to act as one, if the majority desired such action.

Of course, that Act was one-sided, and the first board that was appointed, I believe, established a method of procedure which was completely prejudiced and completely on the side of labor unions. In 1939 I sat through the Hearings for nearly six months on the operation of the National Labor Relations Board up to that time, and I do not think I've ever heard, certainly in America, such a series of miscarriages of justice as occurred under the first National Labor Relations Board. I might add that the most violent testimony we had in that particular hearing that I remember came from the AFL unions themselves; from Mr. Green and Mr. Padway, who took the position, I think correctly, that the Board regarded themselves not as a judicial board to determine rights under the law in a lawful manner, but as crusaders to put a CIO union in every plant in the United States!

Deals With Injustices

The greater part of the Bill which is now before the Senate is a revision and Amendment of the Wagner Labor Relations Act, which is re-written from the first section to the last with Amendments dealing with particular injustices, which were called to our attention in the testimony and which, we believe can be corrected by an Amendment of the Law.

These various injustices have been frozen into the Law. But the fact is that for eight years, since the Hearings of 1939, there has been no Labor Bill, no comprehensive consideration of the problem, and nothing for action by the Senate, except the Case Bill of last year, which was only a partial approach to the problem, and which was vetoed by the President.

The interpretations, not only of the Laws themselves, but, of the administrative regulations, and the administrative rulings, and the decisions of the Supreme Court itself, holding in effect that there was no way in which any court could revise injustices perpetrated by the National Labor Relations Board, resulted in gradually building up the power of the labor leaders so that today, in my opinion, the weight in collective bargaining negotiations, instead of being on the side of the employer, is all on the side of the labor leaders, except perhaps against the very largest companies in the United States.

Labor Leaders Too Powerful

In particular, I believe, that in dealing with small business, with farmers, and even with workers themselves, the labor union leaders have acquired a power which today the people resent, and which, inevitably has been abused. Many of our labor leaders are just as judicial and as fair as anyone could wish them to be. But extreme power, unreasonable power, cannot be granted to any group of men without a number of them being willing to exercise it to accomplish ends which are not reasonable.

Polls taken today show that union members themselves resent the power of labor union leaders. Even on the question of the closed shop, which the union leaders are most vigorously defending, the polls show that more than half of their men are actually opposed to the position their leaders are taking because, apparently, they feel today they are at a great disadvantage in dealing with union leaders.

The power given to the leaders by existing legislation is so great that the individual is unable to exercise his right to free speech, his right to work as he pleases, and his general right to live as he pleases! And I might say that in this Bill, we do not abolish the union shop. We restrict it. We provide that it cannot be obtained unless the majority of the men vote that they really want to obtain it.

And we provide further, that even after it's obtained, the union must admit to its membership all the people who want to enter that union, and cannot shut them out from jobs by refusing to let them into the union, or by firing them from the union for some cause other than non-payment of dues.

Bill Assures Free Bargaining

Basically, I believe that the Committee feel almost unanimously that the solution of our labor problems must rest on a free economy, and on free collective bargaining. The Bill is certainly based upon that proposition. That means that we recognize the freedom to strike when the question involved is the improvement of wages, hours, and working conditions, when a contract has expired, and neither side is bound by a contract.

Since we do not limit such strikes, it seems to me there is no justification for the charge that the passage of this Bill will, in any way, put the workers at such an unfair disadvantage that they will have to accept wages below the proper wage to be paid for the work which is done. We recognize the right, in spite of the inconvenience, and perhaps the danger, to the people of the United States which may result, from the exercise of this right to strike. But, in the long run, I do not believe that that right will be abused. In the past, few disputes finally reached the point where there was a direct threat to and defiance of the rights of the people of the United States.

Modifying Strike Right

We have considered the question whether this right to strike can be modified. I think it can be modified, in cases which do not involve the basic question of wages, prices, and working conditions. But, if we impose compulsory arbitration, or if we give the government power to fix wages at which men must work for another year or two years to come, I do not see how in the end we can escape a collective economy.

If we give the government power to fix wages, I do not see how we can take from the government the power to fix prices. And if the government fixes wages and prices, we soon reach the point where all industry is under government control and finally there is a complete socialization of our economy.

I feel very strongly, therefore, and this Bill provides, that so far as possible, we should avoid any system which attempts to give the government this power finally to fix the wages of any man. Can we do so constitutionally? Can we say to all the people of the United States: You must work at wages fixed by the government?

I do not think we can. I think it is a long step from freedom, and a long step from a free economy to give the government such a right. And so what this Bill does, in effect, is to base our future labor relations on a free bargaining in which neither party shall have an advantage. It attempts to take away those privileges given by existing law to labor unions and put both parties on an entire equality.

Making Unions Responsible

It intends to impose upon unions the responsibility for their acts, which today, the law imposes upon employers. It, therefore, makes unions suable in the Federal Courts, and requires that they must file financial reports to their members. Certainly, that is a reasonable provision.

The whole purpose and the whole effort of this Law is to restore equality. Wherever we had given the right to a union to undertake to make certain claims, and to obtain certain privileges, we have attempted to give the same to the employers. The Wagner Act was one-sided. It provided than no employer should carry out unfair labor practices. The proposed Law provides a whole list of unfair labor practices on the part of unions.

It does not restore the injunctive process. It does not repeal the Norris-LaGuardia Act, in any case, except for one case that I referred to of a nationwide strike. And then, only for 60 days!

Labor Peace Is Objective

And so I say that in this Bill we have a reasonable attempt to restore equality between employer and employee. We have a reasonable attempt to bring about equality in labor relations. And if the Act is passed, I feel confident that it will tend to bring labor peace, that it will make both sides reasonable, and that it will bring about a situation in which no longer we face the injustice, and the inequality, which the present laws have brought about.

Mass Picketing Is Halted in Colorado

The State Industrial Commission of Colorado on April 29 issued an order prohibiting mass picketing by striking telephone workers, an Associated Press dispatch from Denver reported. The order was issued under provisions of the State's Labor Act, and followed two mass demonstrations a day earlier in front of headquarters of the Mountain States Telephone & Telegraph Co. The Commission's order also forbade strikers to obstruct entrances to the building.

Canadian Securities

By WILLIAM J. McKAY

Long before the war as a result of the vision of a pioneer of aviation, the Scottish Marquis of Sempill, Canada, was destined to become the center of British air training. Thus in the early stages of the war the Allied cause was aided to an incalculable degree by the adoption of the British Commonwealth Air Training Plan. Throughout Canada 154 flying centers were established, over 300,000 men were trained as pilots and ground-crew members, 6,000 buildings were erected, and paved runways were constructed equaling in extent a 20 foot highway of more than 2,500 miles.

It has since become evident with the increasing importance of air-routes over the northern top of the world, that Canada is situated at the center of the practical air map. In the new age of stratosphere flight Canada's climatic conditions are an advantage rather than a handicap, since in the northerly latitudes the weather-free stratosphere is reached at a lower altitude than elsewhere.

The pertinent point, however, is what is Canada doing to profit from this fortunate circumstance of location. In the first place at this crucial stage of air-line development the Dominion Government through Trans-Canada Airways operates the only transcontinental system in Canada and also the Dominion's international and trans-oceanic services. Although considerable criticism has been evoked by this virtual nationalization of air-transport, the experience of other countries tends to lend support to the contention, that private operation can not cope with the enormous expense of meeting competition during this phase when technological progress quickly renders existing aircraft types obsolete.

In addition to Canada's geographic advantage, the Dominion by virtue of its international relations also benefits from the technical experience of both Britain and this country. As a result the aircraft evolved by "Canadair" which incorporates the Rolls-Royce engine in a U. S. air-frame, is possibly the most advanced commercial air-transport at present in existence. In addition to the leading U. S. aircraft builders, the foremost British companies in this field, the Hawker-Siddely group and Rolls-Royce are now also established in Canada. It is consequently to be expected that following the success achieved by Rolls-Royce in the manufacture of commercial jet propulsion engines, Canada will be well in the forefront in this future phase of aviation progress.

As in the period following World War I, Canadian "bush-pilots" contributed so much to the early exploitation of the Canada's Northern Empire, it is now all the more to be expected that Canada's great wealth of air material will make the Dominion the most air-minded nation in the world. With the establishment of domestic air-lines connecting the most remote areas to civilization, a tremendous stimulus will be given to Canadian economic development. As it is also probable that Canada will be increasingly active in the field of overseas air-transport Canadian prominence in international commerce should likewise be well maintained. In this way Canada is likely to play a peace-time role as the economic saviour of the British Commonwealth just as during the war Canadian resources and the British Air Training Scheme did so much to stave off British military disaster.

During the week the market for externals was generally quiet with prices mostly unchanged, with the exception of Albertas which were slightly weaker. Internal bonds on the other hand were firmer with free funds steady in the neighborhood of 8% discount. As the tourist season is approached it is likely that the demand for free Canadian dollars this year will reach an unprecedented figure. Transport difficulties and the present lack of attraction of the European vacation centers should divert a considerable number of visitors this summer to Canada. The resultant effect on the Canadian free dollar market should consequently provoke a larger volume of investment buying of Canadian internal bonds.

Lee Rand & Co. to Be Formed in New York

Lee Rand & Co. is being formed with offices at 30 Broad Street, New York City, to engage in the securities business. Partners are Lee J. Rand, George H. Brounoff, and John E. Bilane, Mr. Rand was formerly a partner in L. H. Rand & Co. Mr. Brounoff and Mr. Bilane were with Bonner & Gregory.

Theodore J. Knapp Dead

Theodore J. Knapp, partner in Montgomery, Scott & Co., killed himself on May 6th at the South Side Sportman's Club, Oakdale, L. I.

Brulin & Co. in IPLS.

INDIANAPOLIS, IND.—Brulin & Company, Inc. is engaging in a securities business from offices at 2939 Columbia Avenue.

Holland Plans Sale of $20,000,000 Bonds

The Kingdom of the Netherlands filed May 9 with the Securities & Exchange Commission a registration statement covering $20,000,000 of 10-year 3¾% external sinking fund bonds. A nationwide investment group headed by Kuhn, Loeb & Co. will underwrite the offering. The price to the public and other requisite information will be furnished by amendment.

The funds to be obtained from the bonds will be used for the purchase of products and services for reconstruction of the Netherlands in Europe and its economy or to the prepayment of advances heretofore made under a line of credit granted to the Netherlands by the Export-Import Bank for such purposes.

Readily marketable securities in the United States held by Netherlands nationals in the latter part of February 1947 are estimated in the registration statement at approximately $560,000,000.

The registration statement provides an opportunity to obtain an authoritative picture of the economic progress of a European country following the effects of five years of enemy occupation. Certain statistics for the war years are lacking, but those furnished for the period since liberation, compared with prewar statistics, indicate remarkable recovery in some vital phases of the Netherlands economy.

Loss and damage to property of the Netherlands as a result of the war amounted to $6,284,000,000 in 1938 money value, according to an official estimate of the Netherlands Government made in 1945.

In the face of these tremendous losses, the general index of industrial production, exclusive of construction and lumber industries, stood at 85 in December 1946, with 1938 taken as 100.

At the outbreak of World War II and for more than ten years before, the only indebtedness of the Netherlands was internal. During the 1930 decade, the country had a favorable balance of payments totaling approximately 417,000,00 guilders, primarily as a result of income from investments abroad, from shipping and transit charges and miscellaneous sources. During the three-year period 1937 1939, less than one-tenth of the Netherlands trade was carried on with the Netherlands East Indies.

From the time of the separation of the Netherlands from Belgium more than 100 years ago, there has never been a default in interest, principal or sinking fund payments on any external or internal obligation of Holland, except for the temporary dislocation occasioned by the Nazi invasion.

The Netherlands floated a $40,-000,000 bond issue in the United States in 1924 through a group headed by Kuhn, Loeb & Co. This was redeemed in 1929. In 1922, bonds amounting to 300,000,000 guilders were sold, of which 125,-000,00 guilders were purchased in this country. This issue was redeemed in 1932. After 1926, the Netherlands was able to resume its policy of resorting primarily to internal borrowing and until recently practically all its bonds were sold in the Netherlands market.

Saad, Fund Official, to Report on Geneva Parley

WASHINGTON, May 14—Mr. Ahmed Zaki Saad, executive director of the World Fund, left by air last week for Geneva, where he will remain for some time as Fund observer of the European Economic Commission and the ITO preparatory conference.

Two Pressing Uncertainties— Labor Strife and Inflation

(Continued from page 5)

green shirt and not minding it one-tenth as much as you expected. That's a good thing, but we transfer it to the more important things that war involves. We get just as accustomed to casualty lists, and war time morals as we do to oleomargarine. And worst of all, we adjust ourselves to the crude fact of war itself—the fact that nations have found no better way of adapting themselves than killing each other off—and we learn to live in the same world with that monstrosity without reflecting on it at all.

This fact makes it necessary for me to make a statement that will sound like, and should be, an absurdity: Do not forget, in talking about the trend of American business today, that we have just been through a war—the most disruptive war in history. When I say this, I do not really think that you are going to forget 1941-45. I mean that you do not realize how well you have adjusted yourselves to the abnormal. You do not realize because five years have made you accustomed to things that cannot endure. Never forget that the adjustments that now confront us are the product of one of history's major upheavals. Do not be deceived into blaming our problems on the Jews, or the monopolies or some local circumstance when we have just moved out from under one of the blackest clouds that ever settled on mankind.

And when you remember that we were in a war, remember that war is a boom, and a boom precedes a bust. War not only inevitably dislocates production but furnishes the one set of circumstances in which inflation can be made to look respectable. And we have had both in large doses—dislocation and inflation.

The first trend in American business that we should look for is a price collapse just like we had in 1920. The average index of wholesale prices for 1920 was 154, for 1921, 97; hides, for example, dropped from 267 in 1919 to 89 in 1921. Prices received by farmers went from 211 in 1920 to 125 in 1921 and the purchasing power of a dollar rose from 52 in 1920 to 82 in 1921. All of the basic reasons for that collapse are certainly present now in extreme degree. Yet economists did not expect it and it has not happened. Why not? There seem to be two principal reasons: Our part in the last war was brief and during it inflation was uncontrolled either at its source or in its effects. Inflationary pressure developed quickly and strongly and showed itself in the price level. What this would have done in a long war is not pleasant to think of. Our recent war was long; inflation at the source was even stronger and less courageously and intelligently handled than in 1918. But non-economic means were used to prevent the huge inflationary pressure from finding its normal expression in prices. Costs were permitted to rise; dollar incomes were inflated but the consumer paid in the form of quality last and in some curtailment of the range of choice. The result of this is that unlike 1920 quoted prices rose less but the tensions within the price structure are much greater than 1920. By tensions within the price structure, I mean first, inconsistencies, i.e., one price allowed to rise while a related price is held down; and second, inflationary pressure from high incomes causing the price structure not to rise in quoted prices but to bulge out sideways in bootleg markets, or in hidden considerations not shown in dollars. Furthermore, the inflationary pressure was so great that the American people came out of the war with a huge wad of disposable savings, roughly equivalent to a full good year's income. We have been saved thus far from a collapse like 1920 by the fact quoted prices had not risen as far as in the earlier period and people spent their accumulated free savings at a rate both faster and steadier than was expected.

Granted then that there are good reasons why we do not get a simple repetition of the 1920 sequence, what can we expect? In economic terms war is a shift in demand. One day we have no need of torpedoes and the next day we will pay anything for them. One day men's ties are of all colors and within a few months, 12,000,000 men are wearing only khaki or black. This abrupt shift in the relative value of different goods reflects itself in productive capacity and we twist our productive capacity all out of shape to meet the new demand. This is costly in itself and the need for speed makes the process doubly costly. With the shift in productive capacity goes the shift of man power. The population movements within the United States during the war constitute a social earthquake if the war had had no other effect. We spend our resources to meet the war demand without regard for present or future cost and finally get running a war economy.

Then the day comes when the demand for war goods disappears in an instant and demand for peace goods arises in the same instant. And there is even less time for adjustment to the demand than there was at the beginning of the war. It takes the enemy time to organize an attack but consumers with dollars can move in on an hour's notice. Therefore, we must not forget the size of the war from which we have just emerged. Three huge tasks had to be accomplished before industry could handle the rush of consumers: (1) Demobilization, military and industrial; (2) Reconversion, mechanical and personal; (3) Elimination of controls, priorities, rationing.

II.

These things have now largely been done with one conspicuous exception of which you are all aware. What then are the factors which will govern the future?

They are basically two: (a) Labor - management relations; (b) Inflation. Though economic in their expression and effect both are strongly conditioned by government policy.

During the war, American production was the marvel of the world and America won two wars on two world fronts across two oceans because her men were constantly supplied with an endless stream of high grade materials. The source of that material was not merely our natural resources; they are necessary and important but passive. The source of that power was cooperation from the drawing board to delivery at the front. With a very few very sordid exceptions, Americans submerged their personal advantage for the sake of the common good. The result of that cooperation was the greatest flood of output in economic history, even though 12,000,000 of the most capable producers were withdrawn from production and were in direct military service.

The lesson of this is pretty obvious. You get goods when and only when you get cooperation on the job. This department must supply that department. From the front office to the delivery platform there must be teamwork or there are no goods. And if anybody is dragging his feet, to just that extent you get less goods.

During the war, labor became accustomed to high money wages. Hourly rates rose but overtime rose even more. In many families, persons usually at home went into war plants, and family income rose still more. The money wages bought less than they would have before the war but real income for many people greatly increased during the war. Labor came out of the war determined to hold that level of income and we have had two waves of serious strikes aimed at that goal. These strikes have gravely hampered production and prevented the production for which the consumer was clamoring and to that extent have aided in keeping prices up. How seriously they have hampered production is hard to estimate statistically but one does not need to be a statistician to know that basic industries and services like coal, steel, motors, railroads and telephones cannot be interrupted one after the other and production still be maintained.

Why does labor adopt such a policy of cutting its own throat? Because labor is interested in dollars and jobs, not goods. A thousand dollar bill can't be eaten or worn, and the multiplication of jobs that don't result in the output of goods is not going to give a pay-check that will buy very much no matter how big the figure written on the check.

This is clearly a foolish policy. Why then is it followed? It is followed because American labor, whether or not Socialist or Communist, operates on Karl Marx's theory of class conflict. Because they accept this theory, they act as though there were a well defined capitalist class from whom it is possible to wring definite permanent gains. This operates on the theory, the more there is for me the less there is for you; as though the economic pie was of a definite and fixed size. Actually the size of that pie varies enormously and usually the share of labor and the other shares go up and down together. But labor operates on the basis of being able to get something from capital regardless of what labor produces, and Karl Marx leads them in quest of money and jobs at capital's expense and deprives them of goods at their own expense. And the result is less goods coming off the end of the assembly line for labor to buy.

If this error of Karl Marx is so obvious and so wrong, how does labor fall into it? They have had plenty of bad example in high places. That idea was not original with Karl Marx; he got it admittedly and explicitly from the early Victorian economists of England—Ricardo, Malthus, Mill. These men accepted the idea of class and class conflict and made it part of their system and Marx took it from them and used it to very different purposes in his system. The applications were different but the practice was the same. Labor and capital have been educated to a fictitious opposition of interest and "Capital," whatever that may mean in a society like ours, believed that labor had to be kept in its place and that the more there was for labor the less there was for capital. Let it be said to the credit of the late Henry Ford that he was one of the first influential Americans to realize the falsity of this division. These ideas of Ricardo, Malthus and Mill are exactly what many people regard as the "old fundamentals" that we have to get back to. They are just as false in their respectable classical form as they are in their aggressive Marxian form. They are not fundamental to anything except disorder and low output.

Nineteenth century British economics, wholly out of tune with American facts, had sufficiently wide acceptance so that it was built into some of the labor legislation of the '30s. NRA and the National Labor Relations Act, however useful in some of their provisions, were sources of trouble because they assumed that the interests of employer and employee were opposed.

So labor has had plenty of very respectable precedent for its error but that is no reason for maintaining it.

The radical error has become more important in the last ten years because we have had a change in the type of so-called liberal leadership. The old style American Liberal was a midwestern commoner, a LaFollette, Borah, or Norris. Whether you liked them or not you had to admit they were home-grown. The so-called Liberal today is a follower of Marx, or a least a man who is scared to death to hint that Russia is not the most democratic country in the world; or he is a follower of the late Lord Keynes, a recent British economist whose doctrines are described as rendering Marx unnecessary. He is not a man who thinks Americans have any good ideas or that we have traveled a long way on the road to a classless society without liquidating the opposition.

These may not be the sort of things you expected in a talk on the trend of American business, but that is the basic trend—the imposition on our American economy of a set of theories that are false in themselves and peculiarly and conspicuously false when applied to American conditions. Yet these theories affect production, right now, and they are behind the difficulties that confront Congress on labor legislation right now. Congress is willing to pass a fair and sensible labor bill if labor will tell them how. If class-conscious labor condemns any legislation whatever, labor will get a class-conscious, punitive law.

Now this trend underlies much American business today. Production is restricted, not only by monopolists but by unions. Union policy is not concerned with producing a large volume of goods to raise the standard of living but they are concerned with the multiplication of jobs at high pay regardless of output. That leads to high hourly rates, low annual incomes, high prices, poor buying power, and unemployment.

This is still the dominant trend. The building trades seem to have set their prices so high that building is falling off sharply in the face of terrific demand. There are signs that the recent settlements indicate a willingness to call it quits for a while. But only for a while. Owner - managers and workers alike are still thinking in terms of class conflict and squabbling over the division of a dwindling product, when the most elementary cooperation could give us the greatest output ever known, abudance for ourselves and plenty for the victims of war abroad.

III.

The other big factor in present trends is the fact of inflation. This is not a possibility or a danger; it is a reality. If there is any question of this in anyone's mind, let us look at the figures. Back in the '20s, the American people did business with between three and four billion dollars of legal money. This is the nickels, dimes, quarters, the fives and tens that are constantly moving in and out of pockets, purses, cash registers and tellers' windows. In 1933 that figure was $7.5 billion; in 1944 it was $25 billion. Today it is $28 billion. Nothing has happened since the twenties to require us to have about seven times as much money as we used then.

What has happened to legal money has happened to deposits—the total sum for which Americans could write checks if they all did it at once. In June 1929, there were $55 billion in deposits, regarded as a dangerously high figure as events showed it was. By 1933 that fell to $43 billion. In '37 it was up to 57, in '39 to 64; in 41 to 78; in '42 to 110; in '44 to 150; and in '45 to 175. The end of the war brought an end to the extreme inflationary movement and loans by banks to industry instead of government have not taken up all of the slack. At the moment the figure stands at about $167 billion with no indication that it will go lower. Do you know any reason why the American people need three times as much money to do business with as they needed in 1929? Do you know what happens when money is long and goods are short? Money declines in value, which is just a roundabout way of saying that prices rise.

If money makes prices rise, why have not our prices risen further? The rise has been substantial but it has not been nearly as great as the increase in the volume of money. The answer lies in the way the money is used. The price structure that a given volume of money can support depends on the way the money is used, chiefly the speed at which on the average a dollar goes from hand to hand. When business is brisk a dollar moves rapidly. An average velocity for an American dollar in normal times is about 13. That is, on the average currency changes hands in about 13 transactions a year. In recent years that velocity has been down below 9. An increase from 9 to 13 is almost 50%. Without any further increase in the volume of money we could furnish the basis for a 50% price increase if it were not offset by an enormous output of goods.

One does not need a college course in economics to know that when prices are rising we try to get rid of money. Goods are increasing in value and money is declining, so business men prefer goods to money. At such times velocity increases. In extreme inflation, this velocity becomes visible. At the height of the collapse of Germany's currency, on pay day the member of the family that could run the fastest met father at the factory gate and ran to the grocery store where mother was waiting in order to spend the money as quickly as possible before it declined further in value.

It is worth noting that our inflationary problem is related to class consciousness. I mentioned Lord Keynes a moment ago, whose ideas ruled Washington from 1934 to 1941. Keynes based his ideas on considerations which may have some validity for England's peculiar and grave problems but do not apply here. It is peculiar that Keynes' ideas were adopted by self-styled liberals and by labor unions when the crux of the system was to lower wages. The first axiom of his system was that when prices fall, the unions will not accept cuts in hourly wage rates to bring labor costs in line with other costs. Since you can't cut wages directly, the only way to reduce wages is by raising prices and the way to raise prices is by inflation.

The second step in his system was based on the idea that investment was slow because the concentration of wealth (in England) gave big investors too much money and enabled them perhaps unconsciously to have too great an effect on the economy. The remedy for this was to beat down the rate of interest by making money so plentiful that those who wished to hoard cash could hoard all they wanted and there would still be plenty to circulate. This meant that government had to take over the function of maintaining investment. This meant government spending, this meant government borrowing, government borrowing as actually conducted meant inflation. This when combined with the tax system was defended as improving the distribution of income. And in the thirties, the ideal of the system seemed to be a better and better distribution of a smaller and smaller product, till we reached the ideal of an absolutely equal distribution of absolutely nothing.

IV.

The elements that make up the present basic trend of American business then are these:

(1) The policy of unions and corporations.

(2) Inflation.

(3) Special price situations.

(4) Government policy on 1 and 2.

As to the first, there is reason to believe that the worst of the adjustment is over, that labor is anxious to go back to work. There will be continued agitation by Russian - controlled unions, or unions with strong Russian sympathizers. Their policy will be to damn all legislation concerning labor as anti-labor and to make as much noise as possible, cut production as much as possible and maintain an atmosphere of uncertainty. Most American labor leaders realize that the public sympathy labor enjoyed until recently is largely exhausted and people are beginning to get impatient for that post-war output that they were led to expect.

As to the second factor, inflation, the volume of money is there traveling at a low velocity. The inevitable drop associated with war financing apparently has taken place and ordinary bank lending to business has begun to take up the slack. Therefore, there is no monetary factor making for an abrupt price decline.

There are, in particular commodities and industries, price situations which are definitely out-of-line and subject to some adjustment. Conspicuous examples of these are building materials, farm and food products, hides, leather and their products. Some of these are subject to special circumstances growing out of the war. The paint industry, for example, uses materials that come out of the Orient from areas that have long been shut off from us where the actual physical source of supply or of processing has been physically damaged, and the paint and varnish industry has been selling at high prices an unsatisfactory product made out of costly synthetics. As the natural sources of their supplies are rehabilitated, a substantial drop in price as well as a rise in quantity are indicated. Cotton goods were one thing which consumers sought to buy with their war time incomes with resulting high prices, especially after the release of controls. There seems to be no reason to expect that these prices can be maintained at their present levels. Building material has been high because of low record of residential building during the thirties and there was a certain distress market for persons settling down after the war. Once this imperative demand had been met, the person who wants a new home but has some place to live now has decided to wait it out, and there is no reason to suppose the building costs can be maintained at their present high levels.

At the beginning of this year, there was general agreement among economists that the peak of the post war rise should occur in the second quarter of 1947. But the general movement of prices having passed their peak, there would be a general downward drop with no general break in prices but with erratic and spectacular exceptions. Even though we are reaching the end of the second quarter that still looks like a good prediction but I must repeat that obviously no discussion of prices can ignore output and no economist can predict prices or output as long as owners, workers, and government proceed on a fallacious class conflict basis that prevents people from getting together and promoting the common good by the production of goods which everybody needs.

Otis Made Vice-Pres. Of Gearhart & Co.

Edward V. Otis has been appointed vice-president of Gearhart & Co., Inc., 45 Nassau Street, New York City, according to an announcement by Frederick D. Gearhart, president.

Edward V. Otis

Mr. Otis formerly was president of Automatic Products Corporation and presently is a director of American Banker, American Seal - Kap Corporation, The Bond Buyer, and First National Bank of Yarmouth of Yarmouth Port, Mass.

L. D. Garibaldi With Interstate Securities

CHARLOTTE, N. C.—Linn D. Garibaldi has joined the Interstate Securities Corporation, Commercial Bank Building, as Vice-President and manager of stock trading. Prior to forming this connection, Mr. Garibaldi was Vice-President of First Securities Corporation, and manager of their Charlotte, N. C., office. He served overseas in World War II with the rank of Lt. Colonel, Infantry, and prior to the war was manager of the Richmond, Virginia, office of R. S. Dickson & Company. Mr. Garibaldi is well known in investment circles of the South Atlantic states.

Annual Meeting of Brooklyn Unit (NACA) To Be Held on May 21

John W. Hooper will address group and William J. Carter, National President of NACA to be guest of honor.

The Brooklyn Chapter of the National Association of Cost Accountants will hold its annual meeting on Wednesday, May 21, 1947 at the Hotel Bossert in Brooklyn.

A dinner to be held at 6.30 p.m., will precede the technical session scheduled to begin at 8.00 p. m., at which John W. Hooper, Vice-President in Charge of Finance of the American Machine & Foundry Company and its affiliated companies, will give a talk on the subject of "The Responsibilities of Leadership of the Executive Accountant."

Mr. Hooper is a certified public accountant, a member of the American Institute of Accountants, the Controllers Institute, Chairman of the Committee on Federal Taxation and a Vice-President of the Brooklyn Chamber of Commerce. Mr. Hooper is also active in philanthropic, industrial and civic organization work.

The guest of honor at the dinner and meeting will be William J. Carter, the National President of the National Association of Cost Accountants. Mr. Carter is a Past President of Atlanta Chapter, a Certified Public Accountant, a Past President of the Georgia Society of Certified Public Accountants and a partner in the firm of Mount and Carter.

Many national officers and directors as well as civic dignitaries will be included among the guests of honor.

Regulation of Labor Organizations by the States

(Continued from first page)
public utilities; and Delaware has adopted a general regulatory statute applying to unions.

Laws of the States deal with numerous aspects of the organization, membership, management, and practices of unions. Topics covered in these laws include, among others, membership discriminations, the closed shop, initiation fees, work permits union elections, union officers and business agents, union liability for damages, political contributions by unions, the right to strike, methods of picketing, the boycott, union coercion, and restraint of trade by unions.

The Right to Organize and Bargain Collectively

The right of workers to organize and bargain collectively has become a generally organized right. When formally stated in State laws, this right is expressed in language similar to that of the Wagner Act.

State law places only a few limitations on the right of workers to organize and bargain collectively, and these limitations operate only in the case of public employees. The Legislature of Virginia, during 1946, adopted a resolution, for instance, which declared that recognition of any labor union as a bargaining agency for State employees was contrary to public policy; prohibited affiliation with such unions by State employees; and permitted public employees to organize only for the purpose of discussing employment conditions with the employing authority (and only in case of disavowal of any right to strike). Kentucky law forbids the conclusion of any collective agreement between the State or any of its political subdivisions and public employees. The Legislature of New York, in the session just closed, refused to adopt proposed legislation providing public employees with collective bargaining machinery.

This policy of restricting collective bargaining rights of public employees runs parallel to prohibition of the right to strike in public employment.

Unreasonable Restraints on Union Membership

As unions have become more numerous and powerful, the restrictive membership practices employed by some have become a significant hazard — especially when coupled with the closed-shop principle—to the welfare of certain classes of workers. High initiation fees and discrimination against workers on the basis of race or creed have been among the more important of the restrictive membership practices of unions.

Several States adopted regulations during 1943 to prevent the charging of excessive, unauthorized, or discriminatory fees and dues. Colorado, for example, requires that all union fees and dues must be fixed in a union's bylaws, be reasonable and non-discriminatory, and be subject to approval by the State Industrial Commission. Texas adopted regulations in the same year to prevent excessive union fees and dues. Kansas adopted — also in 1943—a provision of law prohibiting the charging of any union dues or fees except those authorized in a union's constitution or by-laws. In the same year, Florida placed a legal maximum of $15 on union initiation fees, except in cases of fees in effect at the beginning of 1940.

In the same year (1943), Alabama and Texas prohibited any labor organization to collect any fee or money as a work permit, or as a condition for the privilege of work.[2]

Several States have enacted laws during the past two years to prevent unions from discriminating against workers on the basis of race, creed, color, or some other arbitrary consideration. New York, New Jersey, and Massachusetts have led the way in enacting laws which make it illegal for a labor organization to deny membership, expel from membership, or discriminate among its members on the basis of race, creed, color, national origin, or ancestry.

Coercive or Compulsory Membership

A substantial number of States have adopted legal provisions which are intended to restrain unions from coercing unwilling workers into joining by means of threats or violence, and to restrict or prohibit compulsory union membership by means of all-union (closed shop) agreements.

Colorado, for example, declares it to be an unfair labor practice for an employee or a group acting in concert to coerce an employee into joining or refraining from joining a union, or to coerce or induce an employer to interfere with an employee's right to join or refuse to join a union. Michigan and Oregon have similar bans against the use of coercion and intimidation as a means of inducing workers to join, or refrain from joining, labor organizations.

Workers may be compelled to join a union as a prerequisite to obtaining employment whenever a field of work is covered by an all-union, or closed shop contract between the union and the employer (or employers). Such compulsory union membership creates a labor monopoly; precludes employment for all save those in the union; enhances greatly the union's power over its membership; and increases the danger to employers and the general public from work stoppages and boycotts.

Policies of the States on the closed-shop problem show much variety. In many States there are no laws on the subject. In a number of States—including New York, California, Utah, Pennsylvania, Rhole Island, Michigan, and Minnesota — the principle of the Wagner Act is followed. Under this principle, any union which qualifies as a collective bargaining unit under labor relations statutes is permitted by law to enter into a closed-shop agreement with an employer as a feature of a collective agreement.

There is a strong trend among the States, however, to place definite restrictions on the employment of closed-shop agreements or to prohibit them altogether. Massachusetts, for instance, prohibits the employment of strikes and picketing as means of forcing an employer to agree to a closed shop. New Jersey allows closed-shop agreements except when they operate in restraint of trade or tend to create a monopoly.[3] Other states—including, for example, Wisconsin and Kansas—permit closed-shop agreements only when approved by a majority or more of the workers to be affected thereby in a special referendum taken by secret ballot.

Numerous States have prohibited the closed shop and its companion principle, the yellow-dog contract. Prohibition is either by statute or constitutional provision. Among the States which have prohibited the closed-shop by statute are Alabama, Idaho, Louisiana, Maryland, Nevada, Tennessee, Indiana, and Virginia. Arkansas, Florida, Nebraska, Arizona, and South Dakota have adopted constitutional amendments which prohibit agreements requiring, as a condition of employment, membership (or non-membership) in a labor organization.

Accountability of Unions for Acts

Several of the States have adopted legal measures during the past few years which are intended to make labor organizations accountable for acts of their members, officers, and agents. Statutes bearing upon this aspect of union affairs were approved in Arkansas in 1941, in Colorado, Florida, Kansas, and Minnesota in 1943, and in Louisiana during 1946.

The pertinent provisions of the Colorado law of 1943 represent one of the more comprehensive attempts to establish a satisfactory basis of accountability on the part of unions for their acts. Colorado requires all unions to incorporate under terms of the general corporation statutes of the State. As corporations, the unions are endowed with the customary legal attributes of a corporation, including the right to sue and be sued. Failure of a union to incorporate disqualifies it from carrying on any of the activities specified for such organizations under the terms of the State Labor Relations Act. Failure to incorporate, also, is made a misdemeanor, with substantial fines provided for the members of any union which violates the incorporation requirement. In addition, a union is specially prohibited from violating the terms of a collective bargaining agreement—including, if present, any agreement to abide by an arbitration award.

Some of the States have placed legal limits on the extent of the financial liability of a union for any damage claims or judgments brought against it. Kansas and Louisiana, for example, limit judgment in suits against unions to the properties held by the union as an entity — excluding properties owned severally by individual members.

Other Regulations Affecting Union Responsibility

An increasing number of the States are adopting union regulations which are intended to promote higher standards of responsibility in the management of union affairs. States are specifying, for example, legal requirements for the qualifications and selection of union officers and agents, for the holding of union elections, for the recording and reporting of union operations (especially financial operations), and for the disciplining of members.

Florida and Kansas require that business agents of labor organizations receive licenses from the State. Florida prohibits the grant of a license to any person who has not been a citizen and a resident of the United States for at least 10 years preceding the application for license, who has been convicted of a felony, or who is not a person of good moral character. Texas prohibits an alien, or a person convicted of a felony whose rights of citizenship have not been restored, from serving as an organizer or officer of a union.

A number of the States have adopted regulations pertaining to the selection of union officers. Colorado requires that union officers shall be chosen annually, by secret ballot, at a regular union meeting for which a 30-day notice has been given to the membership. Minnesota requires election of officers, by secret ballot, at least every four years. Texas requires annual election of union officers, organizers, and representatives—except in the case of unions which, for four years or more preceding enactment of the regulation in 1943, had held elections less frequently than once a year[4] and had not charged more than a $10 initiation fee.

A number of the States have adopted regulations intended to assure honesty and fairness in union elections, or to assure a preponderance of sentiment among the membership as a prerequisite to certain types of union action. Among the more common safeguards to assure integrity of elections are provisions to require proper notice to members of an approaching election, to assure a vote to all members in good standing, and to assure free expression of membership opinion by requiring secret ballot. Colorado, for example, requires one vote for all members in good standing; requires specification in the union charter[5] of the date of the annual meeting for election of officers; and specifies that voting shall be by secret ballot for election of officers, determination of salaries, the calling of a strike, the punishment of members, and decisions on questions of union policy.

Colorado is one of the few States which place restrictions upon unions with respect to their punshment of members. As just noted, a vote of the membership on such punishment must be by secret ballot. Also, the State stays the effective date of punishment of any member of a union until 10 days after written notice of such punishment has been given to the member and filed with a designated State official. Filing of a complaint by the member concerned during the 10-day period acts to stay punishment for an additional period pending a hearing of the case by the State Industrial Commission.

A considerable number of the States now require the filing of annual reports by labor organizations. Alabama, Colorado, Florida, Idaho, Kansas, Massachusetts, Minnesota, South Dakota, and Texas require annual reports, of one kind or another, to be filed by such organizations. Some States require only financial reports; others require more comprehensive statements on union affairs. Some States only require filing of reports with union members; others require filing with a State official as well as with members. Some of the States require reports on forms prescribed by the State.

The requirements of Kansas concerning union reports will illustrate requirements of the more comprehensive type. Annual reports are to be filed with the Secretary of State. In these reports the unions are required to provide data concerning (1) the name of the union, (2) the location of its principal office, (3) the names, addresses, and compensations during the past year of the president, secretary, treasurer, and business agent of the union, (4) the date of the regular election of officers, (5) the rates of initiation fees, dues, assessments, or other charges levied against members, (6) a verified statement of the union's income and expenditures for the past year, and (7) a statement of the organization's assets and liabilities.

Colorado—in addition to requiring annual reports—provides for State examination, at least once each year, of the books and financial records of labor organizations subject to its jurisdiction.

Limitations on the Right to Strike

Several types of limitations on the right to strike have been incorporated in State labor laws since the middle 1930's, and especially during, and since, 1943. These laws touch upon the right to strike in several ways—particularly as to (1) the **manner of authorizing** a strike, (2) the **timing** of a strike, (3) the **purpose** for which a strike may be employed, (4) the **type of strike**, and (5) the **type of employment** affected by a strike.

(1) The outstanding legal provision pertaining to the **manner of authorizing** a strike is a requirement that a strike be authorized by a majority of the workers to be affected by the strike-call. Alabama, Colorado, Florida, Kansas, and Wisconsin adopted such legislation in 1943.[6] Some of these statutory provisions declare it to be an **unfair labor practice** for an employee or a group of employees **to cooperate in any overt concomitant of a strike** unless the strike has been authorized by majority vote under secret ballot. Other statutes make it an **unlawful act** for any person **to participate in a strike** unless authorized by a majority vote of the workers. The Colorado law, for instance, declare it to be an unfair labor practice for an employee or a group of employees acting in concert to cooperate in (or in the inducement of) picketing, a boycott, or any other overt concomitant of a strike unless a majority of the employees affected thereby have approved the strike by secret ballot. The Kansas law prohibits any person to participate in any strike, walkout, or cessation of work[7] unless the same has been authorized by a majority of the employees to be governed thereby in a vote by secret ballot.

(2) Several of the States require a **strike notice** to be given for a specified period in advance of the strike. Under Michigan law, for instance, a 30-day strike notice must be given in cases of strikes involving employment in hospitals, public utilities, and other industries affected with a public interest. A notice of five days is required in other types of employment. Georgia makes it unlawful for any labor organization, or local, to participate in a strike, slow-down, or work stoppage until after a 30-day notice—stating reasons for the intended action—is given to the employer. Such notice, however, is not required in seasonal industries or in employment subject to Federal railway labor law. Virginia in a statute approved during January of this year, requires a five-week notice in case of an intended strike (or lockout) in designated public utility industries, and requires that the **day** and **time** of the beginning of the work stoppage shall be stated in the notice.

(3) A survey of State laws pertaining to strikes indicates that several of the States are beginning to **limit the objectives** for which a strike may be employed. Louisiana, for example, adopted a statute in 1946 which declares it to be against the public policy of the State for a strike to be called in violation of the terms of a collective bargaining agreement unless such a strike has been approved in advance. Under the law of Massachusetts the closed shop is not prohibited, but a strike employed for the purpose of compelling or inducing an employer to agree to a closed shop is illegal. Florida law typifies the provisions of several States barring the use of a strike as a means of implementing a jurisdictional controversy. A statute of 1943 provides that it shall be unlawful for any person to interfere with work by reason of any jurisdictional dispute between labor organizations or within a given organization. Kansas has a similar provision. Maine places a ban on sympathetic strikes involving railroad transportation.

(4) Some restrictions are found in State law with reference to the **type** of strike which may be employed by unions. This restriction is commonly limited, when found at all, to a ban on the sit-down strike. Colorado, for example, includes the sit-down strike among a comprehensive list of specified unfair labor practices.

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2 This regulation was not to prevent collection of initiation fees for union membership.

3 And the courts have ruled that a closed-shop agreement on an industry-wide basis does create a monopoly.

4 But at least every four years.

5 The State requires unions to incorporate.

6 The Alabama statute was declared unconstitutional the following year in *Alabama State Federation of Labor V. McAdory*, 8 Labor Cases, 62, 191.

7 The law is not to be interpreted as denying to an individual a personal right to quit work.

The same policy is implemented in Florida by a provision of a 1943 statute which declares it to be unlawful for any person to seize property unlawfully during a labor dispute. Bans on the sit-down strike are found in the laws of a substantial number of other States, including Kansas, Louisiana, Michigan, Wisconsin, Pennsylvania, and Washington.

(5) One of the most important restrictions on strikes found in State law is the placing of **special restrictions** or **outright prohibition** on the use of the strike in certain fields of employment. Fields of employment in which strikes are placed under special restrictions or prohibited altogether are (a) public employment and (b) employment in industries or instiutions "affected with a public interest."

(a) Although no recognized right to strike against government exists, some States are adopting specific statutory bans on such strikes and incorporating in these laws substantial penalties in cases of violations. Virginia adopted legal provisions during 1946 declaring it to be contrary to public policy for there to be recognition of any labor union as a bargaining agency for State employees and prohibiting strikes among such employees.[8] The Virginia law penalizes any public workers who participate in a strike by terminating their employment and placing them on a status of ineligibility for re-employment by the State or any of its subdivisions or agencies for a period of 12 months.

New York State enacted a law, also, during the recent legislative session,[9] which outlaws strikes among public employees and imposes substantial penalties upon those workers who violate provisions of the statute.

(b) Several of the States have adopted measures which either **restrict or prohibit strikes** in fields of employment affected with a public interest. Kansas, North Dakota, New Jersey, Virginia, and Indiana have adopted—during the period from 1935 to 1947—a series of quite comprehensive statutes dealing with strikes, lockouts, or work stoppages in such fields of employment.

Fields of employment commonly covered by these special regulations of work stoppages include water supply, light, heat, gas, electric power, transportation and communication. Kansas, however, applies special regulations to work stoppages in enterprises engaged in the manufacture of clothing; the manufacture or preparation of food; the mining or production of fuel; the transportation of clothing, food, or fuel; common carrier service; and the operation of public utilities.

The laws differ somewhat in their approaches to the avoidance of work stoppages in the specified fields of employment. Under some statutes, a step-by-step procedure for negotiation, conciliation, and arbitration is outlined—with arbitration as the ultimate stage in the process. According to other statutes, a step-by-step procedure for negotiation and conciliation is outlined—but with State seizure authorized as the ultimate procedure for avoiding a breakdown of an industry's operations.

The law of Indiana, approved March 14, 1947, typifies the first approach. Under terms of the statute, panels of conciliators and arbitrators are to be appointed by the Governor, from which panels may be drawn conciliators or arbitrators to deal with a given controversy. In case a dispute reaches an impasse after attempts of the employer and employees to settle it by collective bargaining, the Governor may appoint a conciliator either in response to a petition from one of the parties to the dispute or on his own initiative (if he finds that interruption of the service would inflict severe hardship upon a substantial number of persons in the community affected). If the conciliator is unable to effect a settlement within 30 days, he reports the fact to the Governor. If the Governor believes the controversy will, or is likely to, lead to such an interruption of service as to cause severe hardship to a substantial number of persons he is directed to appoint a board of arbitration of three persons from a panel of 30 arbitrators, who will hear and decide the controversy. The arbitration board is to present its findings and issue an award and appropriate orders within 60 days, unless its time is extended for an additional 60 days. A settlement order of a board of arbitration is effective for one year, unless changed by mutual agreement between the disputants. Concerted action of workers to effect a strike, slowdown, or work stoppage is a violation of the law—as is a lockout or encouragement, by any persons, of others to participate in such disruptions of operations. Penalties for violations of the law include fines of $500 to $2,500 or imprisonment up to six months.

The law of Virginia, approved Jan. 29, 1947, may be taken as an example of a law authorizing State seizure instead of compulsory arbitration as the terminal step in the specified procedure. A procedure for conferences between an employer and his employees to settle any controversy between them is outlined. If a first conference fails, another shall be held within 10 days. The Governor of the State is authorized to attend, if he chooses, this second conference and to exert efforts to mediate the dispute. Upon adjournment of this second conference, if either party to the dispute feels that further negotiation would be fruitless and is unwilling to negotiate further, that party shall so notify the other party and the Governor. Thereupon, the Governor is directed to request both parties to submit the dispute to arbitration. If either party decides against arbitration and determines upon a strike or lockout, as the case may be, that party shall fix a day and time for such strike or lockout (not less than five weeks after notice of it is filed) and notify the Governor and the other party to the dispute. Upon receipt of a strike or lockout notice, the Governor is directed to investigate and determine whether the contemplated action would result in such interruption of essential services as to constitute a serious menace to public health, safety, or welfare. If he decides that such would be the case, he is directed to proclaim that State seizure and operation will be undertaken at the time of such strike or lockout. State operation is to be continued, in such an instance, until the Governor is satisfied that normal operations can be resumed. During operation of the utility by the State picketing is illegal, the status quo as to wages and working conditions is maintained, workers desiring not to work for the State are allowed to quit their jobs for the time being, and any attempted compromise of the dispute must proceed by means of collective bargaining between the disputants. Any lockout, strike or work stoppage resulting in an interruption to the operation of a utility in violation of the law subjects the utility (in case of lockout) or the labor organization to a penalty not to exceed $10,000 for each day of such interruption to the utility's service. Also, fines of from $10 to $1,000 and imprisonment up to 12 months may be imposed for violations, by individuals, of the terms of the law.

8 Under the law, public employees may organize for the purpose of discussing conditions of employment with the employing agency, but may not affiliate with any labor union or claim the right to strike.

9 The Condon-Wadlin bill. See *The New York Times*, March 19, 1947.

Regulation of Picketing

Some regulation of picketing methods is quite common under terms of State labor law. In fact, a perusal of State laws on this subject leads one to the conclusion that abuses of picketing result not so much from inadequate law as from failure of law-enforcement officials to enforce the regulations which exist.

The provision of Wisconsin law may be taken as an example of one of the more comprehensive regulations of picketing. The Employment Peace Act of 1939 declares it to be an unfair labor practice for employees to hinder, or prevent, by mass picketing, threats, intimidation, force, or coercion of any kind, the pursuit of any lawful employment; to obstruct or interfere with entrance to or agress from any place of employment; or to obstruct or interfere with the free and uninterrupted use of public highways and streets, railways, airports, or other ways of travel and conveyance.

Types of picketing held illegal in cases interpreting the Wisconsin law include (1) mass picketing, (2) unlawful conduct toward customers of a picketed employer, (3) obstruction of highways, and (4) threats of physical harm to employees and members of their families.

Regulations Pertaining to Boycotts

A number of States have placed statutory bans on certain boycotting activities of labor organizations. California, South Dakota, Oregon, Idaho, Colorado, Kansas, Wisconsin, and Alabama have statutes on boycotts. Two statutes—those of Oregon and Idaho—have been approved since the middle of March of this year.

Some of these laws apply only to boycotts of the movement to market or sale of **farm** products. For example, the South Dakota law, enacted in 1943, prohibited boycotting of the movement to market or the sale of any farm product because such product may have been produced by non-union labor or in violation of the rules or orders of any labor organization.[10]

The laws of a number of States are more comprehensive. A Kansas statute of 1943, for example, prohibits any person to refuse to handle, install, use, or work on particular materials, equipment, or supplies because not produced, processed, or delivered by members of a labor organization. Wisconsin's labor relations law designates as an unfair labor practice the participation, by employees, in a secondary boycott; also, the prevention or hindrance—by threats, intimidation, force, coercion, or sabotage — of the obtaining, use, or disposition of materials, equipment, or services; and the combining or conspiring of employees to hinder or prevent by any means whatever the obtaining, use, or disposition of materials, equipment, or services.

Bans on Union Restraints of Trade

Several of the States have recognized in their laws the fact that labor organizations may be effective instrumentalities for restraining trade or creating monopolistic conditions. Louisiana, Ohio, New Jersey, and New Mexico have recognized this effect of unionism by placing certain restrictions on union activities which may restrain trade or lead to monopolistic conditions.

New Jersey law, for instance, allows the closed shop except when it has the effect of restraining trade or tends to create a monopoly. State court decisions have held that a closed-shop contract covering all the firms of an industry creates a monopoly and is, therefore, invalid under the law.

The Ohio and Louisiana laws are the most comprehensive statutes bearing upon this aspect of union regulation.

The Ohio law prohibits combinations of capital or skill or the acts of two or more persons, associations, firms, corporations, or associations of persons used (1) to create restrictions in trade or commerce, (2) to prevent competition, or (3) to limit the production or price of a commodity.

The Louisiana statute, enacted in 1946, makes it unlawful for a labor organization or its members, officers, or representatives (1) to make any contract, or to engage in any combination or conspiracy, in restraint of trade, or (2) to join or combine with any employer or non-labor group to (a) fix prices, (b) allocate customers, (c) restrict production, (d) eliminate competition, or (e) impose restrictions or conditions upon the purchase, sale, or use of any materials, machines, or equipment.

10 This statute was held unconstitutional in 1944. Similar statutes of other States, however, have not been held unconstitutional.

Union Requirement of Excess Labor

According to a recent survey of State laws by the writer, Colorado appeared to be the only State regulating union practices intended to require the employment of unneeded labor. A statute of 1943 declares it to be an unfair labor practice for an employee or a group acting in concert to demand employment of any "stand-in" employee or to require that an employer hire or pay for any employee "not required by the employer or necessary for the work of the employer."

Conclusions

This survey of State regulations of labor organizations indicates that an important role in the development of legal standards for more responsible collective bargaining is being assumed by a number of the States.

The importance of State action as a companion development to Federal legislation was indicated recently in Congress when Senator Taft pointed out that Federal action is not adequate—because of lack of jurisdiction—to deal with abuses in the building trades. Some of the principal abuses in connection with the closed shop, excessive membership restrictions, and make-work rules have occurred among unions in the field of construction.

State action is likely to be quite important, also, in determining the legal responsibilities of unions in connection with problems of union management, adherence of unions to the terms of collective agreements, financial responsibility for damages, and an accounting for and reporting of their financial operations. Such aspects of corporation management and responsibility, for instance, are largely determined by State law, even though such organizations are subject to Federal anti-trust and security issuance legislation.

Union regulatory laws of the more comprehensive type have been adopted in Kansas, Colorado, Texas, Alabama, Florida, Louisiana, Wisconsin, Massachusetts, and Delaware.[11] It is of interest to notice the absence of a number of great industrial States from this list, and to note that the Massachusetts law resulted from initiative petition during 1946.

Considerable difference in the legal standards being applied to unions by the States is indicated by the survey. This is to be expected, and illustrates the experimental value to be derived from action on the same problem undertaken by the several States.

The States are showing a strong tendency to emphasize, in their regulations, the major abuses of unions — including abuses associated with the closed shop, picketing, the secondary boycott, strikes, membership policies, union management, and the responsibilities of unions as organizations.

It is likely that excesses in regulation will develop, at least temporarily, in some States. New Jersey, for instance, recently imposed and then removed within a few weeks a provision for heavy penalties to be imposed upon all individuals violating terms of her public utility anti-strike law.[12]

Action of those States which have adopted union regulatory laws—taken as a whole—appears to be emphasizing major abuses of unions and to be neither vengeful nor unnecessarily detailed or severe. Much legislation will need to be adopted, on the other hand, in many of the States—and especially in some of our great industrial states—before there will be an adequate and general body of State law in the field of union regulation.

11 The Delaware law was approved on April 5, 1947.

12 She retained heavy penalties for the union in such a case.

No Loss to Depositors Of Insured Bank in U. S.

M. T. Harl, Chairman of Federal Deposit Insurance Corporation, announced that May 12 marks the beginning of the fourth year during which there has not been a single dollar lost by any depositor of an insured bank in the United States. The last insured bank to be placed in receivership was the Brownsville State Bank, Brownsville, Indiana, which failed on May 12, 1944.

"In a world emerging from the inevitable economic strains occasioned by a war of staggering proportions—a world faced with urgent problems of economic reconstruction and rehabilitation as well as unlimited opportunities for economic development," said Mr. Harl, "an indisputably sound financial system in these United States is a requisite. The record shows that we have that system now. Our task is to keep it functioning soundly and productively."

ABA Has Course for Bank Customer Relat.

To meet a growing demand from its member banks, the American Bankers Association has just completed a new staff training conference course and is making it available to individual banks or to groups of banks to help them build better customer relations, it was announced on May 8 by William Powers, deputy manager of the Association and director of its Customer and Personnel Relations Department.

The central feature of the new staff training course, which requires six one-hour sessions to complete, is a sound slide film in color entitled, "It's Up to Us!" which is made up of 66 cartoons in full color. To be used with the film is a recorded narration which demonstrates the good and bad of customer relationships and emphasizes the importance of each individual staff member in a bank's public relations.

Accompanying the film is an easy-to-follow outline for use of the training course leader in conducting the six conferences. The subject for the first session is "Our Bank in the Community," and the entire slide film is shown while members of the staff group participate in a discussion of the bank's relationships to the community and to its customers. In the following five sessions, the parts of the slide film are shown which focus attention on the subject for that day. The other subjects are: (2) "Our Bank—Its Services and Staff"; (3) "Our Bank and Its Costumers"; (4) "Our Bank Meets the public"; (5) "Our Bank—Its Staff Teamwork"; and (6) "Our Bank—Its Customer Relations." The conference guide consists of 67 pages of helpful information.

A Look Into the Future

(Continued from page 4)

choice. Their standard of living and their alternatives are such that they don't have to buy. If they think prices will go up, they rush to buy. By the same token, if they think prices will go down, they can, and usually do, stop buying.

Attitudes Toward Shortages

Another powerful psychological force affecting trade volume is the public attitude toward shortages. The managed economy demonstation that the United States could have shortages of food, clothing, shelter, and modern mechanical gadgets came as a profound shock to most Americans. Their reaction was a determined effort to protect themselves by purchasing scarce articles, even though not immediately needed, and storing them against possible future needs. There was a vast amount of "just in case" buying. In short, a folk habit developed—if an item was scarce, everybody wanted it. But, the moment it became freely available, nobody seemed to want it; it became a "drug" on the market.

The folk-ways and buy-ways of our people furnish the real driving force for business activity. And, never forget that in all these respects the American is a law unto himself. He differs from the people in other countries, nor can he be fitted into a set historical pattern. This means that the man in the street must be watched and studied all the time, if any worthwhile estimate of future business conditions is to be reached.

Well, what does the man in the street (and his wife in the kitchen) think about the current business situation? The answer is simple: He thinks prices are too high and he expects them to come down. He, therefore, decides to wait. Prices drop and he decides to wait still longer and prices drop further, and so it goes. In the past, falling volume has always accompanied price reductions Of course, the drop in volume may have been because the price reductions were "too little and too late," but the fact remains that declining prices both directly and psychologically exert a powerful influence in keeping people from buying. Because of this tendency to withdraw from the market and wait, no one can say how far liquidation and price declines will go once they get under way.

Fortunately for all of us, the recent price declines, at least so far, have uncovered more than adequate demand for quality goods attractively priced. In fact, so far, good values practically walk out of the stores. On the other hand, shoddy, wartime, "ersatz" products, and high priced and off-brand merchandise sleep peacefully on the shelves. As I indicated before, there is so much liquid purchasing power in the country that the problem is not **ability** to pay but **inclination** to pay. If this psychological sales resistance can be overcome by new models, higher quality, or lower prices, the current recession in business will be neither long nor serious. If, however, adjustments which will convince the consumer that he is getting his money's worth are not quickly made, then we are in for an old-fashioned business shakeout with losses, failures, and unemployment. But even though we may have a sizable recession in business activity, we shall have no bitter-end depression.

Quantity Theory Over-Emphasized

I say this because, while the economic consequences of the quantity of money and credit should not be over-emphasized, they also should not be under-emphasized. There is still an enormous volume of unfilled demand in the country, particularly for durable consumer goods, and our people have the money or can command the credit to make their demand effective. In this connection, I desire to emphasize that consumer credit volume is only a small fraction of what it will eventually be—the surface has been little more than scratched! And, while payrolls will drop, wage levels will not drop as in 1920. Moreover, even with a recession later in the year, the national income has been so high during the first four months that it promises to exceed the 1946 total of $165 billion, which is a lot of purchasing power if the people use it! Business is planning larger expenditures for plants and new equipment this year than last year—$13.9 billion compared with $12 billion in 1946. Government expenditures continue at unbelievably high levels, based on any pre-war standard. And, finally, government purchasing for foreign relief and government support floors under many farm crops, especially the larger ones, will offer great support to prices, particularly agricultural prices.

No Long or Severe Depression

Weighing the foregoing, and many more such factors, it is my conclusion that, despite the ballyhoo, we shall not have a long or a severe depression. We shall not have to take to the lifeboats, although we may have to man the pumps!

As a statistical matter of fact, even if business should decline 30 to 40% from today's levels we should still be at a good level by any pre-war standards. But, psychologically, such a decline would be very serious. Will we have a drop of this magnitude in business? The answer to that depends on the future trends of prices and purchasing power. The inventory troubles, business failures, and consumer resistance, which came to the surface in the last month or so, are the result of prices outrunning purchasing power during the last twelve months. If the gap between prices and purchasing power widens with further price increases, the recession will be just that much more serious; on the other hand, if the gap narrows, the recession will be less serious. If any of you think this is an argument for higher wages for the CIO, let me remind you that all organized labor accounts for less than 25% of those gainfully employed. Furthermore, wages of organized and unorganized labor, and salaries of executives account for only about 60% of all income payments to individuals.

No, this is merely a frank recognition that our price structure is so high that it is very vulnerable all along the line. And, agriculturlal prices are higher compared to pre-war levels than those of any other large group. Due to a favorable combination of high prices and record-breaking crops, farmers received more than three times as much cash in 1946 as in an average pre-war year. Over-all farm production during the entire war period averaged nearly one-third more than the five year, 1935-39, period when measured in physical units. More specifically, corn production of 3,288,000,000 bushels was up 42%, wheat production of 1,156,000,000 bushels was up 52%, and tobacco production of 2,235,000,000 pounds was up 53%. Cotton with a production of 8,482,000 bales was the only major field crop which showed a decline from the 1935-39 average and that was only 35% from production levels, which had been so high that cotton prices were chronically depressed.

Farm Production Inelastic

Now here is the main thing to remember about farm production: it is, on the whole, rather inelastic. That is a drop in demand drives prices down far more than production. In fact, the paradox of value is more likely to be encountered in the agricultural field, than in any other field. Also, a drop in farm product prices affects the entire economy, especially the prices of farm land. With the basic character of agricultural prices in mind, may I repeat that farm production is now running about 50% ahead of prewar, that farm product prices are 175.6% of the 1926 level; that the cash income of farmers in 1946 was three times pre-war and five times 1932, and that agricultural production is inelastic! The conclusions are obvious.

However, in all probability, there will be no repetition of 1920. The demand from abroad is very great; the national income is at much higher level; and, furthermore, there are Federal floors under the important farm products.

I have stressed the business outlook because agricultural prices are to a great extent dependent on industrial payrolls. Obviously, the wage worker cannot pay 75 cents a pound for meat if he does not have full-time employment at good wages. By the same token, demand for industrial production is largely dependent on prosperity of our farmers.

In trying to estimate the future price structure don't get the idea that prices have to be high because costs are high. Many business men are making this mistake because they got into the habit during the war of passing their costs on to the government no matter how high they might be. Now they have the same idea that they have to get more because their costs are higher. That is economic wishful thinking. They may have to get more if they are to stay in business, but they don't have to stay in business! And that, of course, is exactly what happens under conditions of competition—the high cost producer fails.

A Heavy Backlog of Bussiness Failures

Undoubtedly we have a heavy backlog of such failures. During the war all kinds of wastes and extravagances became commonplace in business—yes, in banking, too. Moreover, we have had no real business cycle test of operating efficiency or financial strength since 1933. The savage competition now starting and the downward pressure of the business recession we are entering will weigh many a business on the scale of consumer preference and find it wanting.

Business will not only be bedeviled by high costs, but competition will be keener than anyone now realizes. In fact, some business men have forgotten what is meant by competition and how brutal it can be. To give you an idea of what lies ahead let me cite you just one statistic, which is symtomatic of many lines of business: The number of iron and steel processing plants in the United States increased from 20,400 in 1939 to 33,600 in 1946. In addition to the competition of new producers, financed with war profits or at current low interest rates, business has to meet the competition of new products, which are now beginning to come on the market in volume, and the competition of old products, which are being improved in most lines. The terrific competition, which is getting started, will have a great effect on the distribution of goods. Supermarkets will invade new fields and sell lines other than food. Chain stores will put in new lines. Mail order houses will, also, expand their activities. Automatic vending machines, already developed, will give change and, thus, stand ready to challenge the indifferent, high cost personal salesmanship carried over from the war period. But whatever methods of distribution the future brings, the "forgotten man" of recent years, the customer, will once more be "king." Businesses and business men, who have neglected consumer goodwill and good customer relations, will have cause to regret the error of their ways.

Statistical Position of Cotton

To deal more specifically with two or three of the more important products of Georgia, the statistical position of cotton is better from the standpoint of the producer than that of any other large crop. The worldwide demand, as Europe and the Orient begin to make progress in their upward climb from the wreckage of war, is bound to be good. Historically, cotton prices have fluctuated with the business cycle, and even more sharply at times. Now, however, we have the government parity floor and the loan floor, so that prices cannot plummet as in the past.

The prevailing high prices of cattle and hogs largely arise from the current high cost of grains. These high prices are not expected to continue. Government and foreign buying of both meat and grains for overseas relief purposes has driven these prices to abnormal levels. Furthermore, bumper crops are anticipated in corn, oats, and wheat. As a straw in the wind, the Department of Agriculture estimates the current winter wheat crop at 973,047,000 bushels, which is 100,000,000 bushels larger than the record crop of last year. Future prices as compared with cash wheat reflect this improved crop outlook.

Paper and pulp prices, while high, have not skyrocketed as in some other lines. Demand in this field is more closely related to the business cycle than in most other fields. At the moment, demand is far greater than production, but a decline in advertising, book publishing, or volume of manufactured products to be packaged would rectify the present imbalance very quickly. Although we probably shall have a decline in all three of them, the prices of pulp and newsprint should hold up relatively well as current prices are not too far out of line with the prewar ones.

Naval stores, with turpentine and rosin prices some four times the 1939 level, would appear to be vulnerable. Most competent experts expect our general price level to eventually stabilize at 40 to 50% above the level of the thirties. (Of course, prices were very low during the thirties.) Naval stores will have to drop a long way if their historic relationship with other prices is to be restored.

Many of these things I am saying may appear gloomy. I do this because I think the bankers of America want to be able to point to a better record than the Frenchman who, when asked what part he played in the French Revolution, replied, "I survived."

Significant Financial Factors

Let us now take a quick look at some of the more significant financial factors. The most amazing development has been the rapid increase in loans. The increase of $5 billion in loans last year was the most rapid increase since 1919-1920 and the grand total of $32 billion was $3 billion greater than the World War I loan peak. Loans to commercial and industrial businesses increased nearly 50%, chiefly during the last six months of the year, to a record total of $14 billion. And while commercial loans started to decrease a month ago, the total is still much larger than most people realize. Real estate loans by commercial banks increased nearly 60% to a record high of $7 billion in 1946—a figure five times larger than the total commercial bank loans on real estate in 1920, at the peak of the World War I inflation.

This loan expansion took place despite the credit tightening caused by the heavy retirement of government debt. Thus, beginning in March 1946, the government marketable debt was reduced $23 bililon by the end of the year, and another $4 billion should be retired by June 30, this year. Moreover, the monetary authorities have now embarked on more drastic credit restriction measures. That is the meaning of the recent announcement that the Treasury will redeem $200,000,000 of Treasury bills each week. As about 90% of these bills is owned by the Federal Reserves banks, the redemption will reduce reserve balances much quicker than the redemption of Certificates of Indebtedness. The member banks, in order to meet their reserve requirements, will be forced to sell certificates, which probably will be acquired by the Reserve banks. However, since the banks, particularly the large ones, need a certain proportion of certificates for liquidity purposes, it is obvious that their sales must be limited. Furthermore, it would not be surprising if the Treasury were also to unpeg the bill rate.

It is, therefore, quite evident that the Federal Reserve authorities are endeavoring to tighten the credit base of the country in order to make it more difficult for the banks to expand their volume of loans. *The redemption policy now instituted by the Treasury will have a depressing effect on the prices of bank eligible government obligations. On the whole, however, no major changes in the government bond market are to be expected and any material changes in prices of AAA obligations will depend to a large extent on a revival of the mortgage market.*

Now, I would like to summarize the views I have expressed.

Summary

(1) The quantity of money and credit has to be considered in the light of our enormous productive capacity, our standard of living, and our folk psychology.

(2) Price declines, under present abnormal conditions, will actually have a beneficial effect on the economy of the country through stimulation of demand; whereas further price increases will make the coming re-adjustment in business just that much more serious.

(3) The outlook for business is good compared to any pre-war level. The national income in 1947 should be twice as great as in 1929. Nonetheless, we face declining prices and declining volume as the recession develops. Furthermore, building activity is not up to expectations and that is very serious from an economic standpoint.

(4) Our price structure is vulnerable because prices have outrun purchasing power. Farm prices, in particular, are very vulnerable because they are so much higher on an index basis than other prices and, furthermore, a large part of their strength in recent months has been due to the purchasing and other activities of the government.

(5) Sellers' markets are changing to buyers' markets and the most savage competition American capitalism has ever known is getting under way.

(6) Commercial loans and real estate loans exceed the peak levels following World War I, and are much greater than is generally appreciated. Current inventory accumulation and abnormally high prices of old houses indicate the desirability of studying the

effects a business recession will have on such credit extension.

(7) The weekly retirement of $200,000,000 in Treasury bills is an active credit restriction measure by the monetary authorities, which will firm the rates on bank-eligible government securities, but will cause no major change in their price or rate pattern.

All in all, American business and the banks face some problems which will require "a bit of doing." I wish I could be as confident that business will solve the price problem as I am that bankers will solve their problems. In any event, the months ahead will be interesting; there will be few dull moments for any of us. And, above all, cost cutting will once more be fashionable.

Payment By Czechs of U. S. Prewar Claims

According to special advices May 6 from Prague, Czechoslovakia, to the New York "Times," that Government has just settled in dollars the first big claim by American interests for compensation for prewar investments in Czechoslovakia. The advices to the "Times" went on to say: "It has agreed to pay the Montan Company — incorporated in Switzerland but with purely American capital — its full $5,500,000 claim in dollars.

"The claim is for money advanced in 1936 to the Czechoslovak Bank. The first cash payment will be $1,500,000 and the rest will be paid in annual installments over ten years. The company will be required to forego only the interest that would have accrued on the debt during the war.

"If this is an augury of the treatment to be accorded American investors in nationalized plants, it is a hopeful one. Although negotiations are far from complete, it is understood that the Government, as far as the country's present exchange position will permit, is prepared to compensate in dollars those who originally invested dollars. Many claims, however, have been filed by former Czechoslovak citizens who are now naturalized Americans. Since their original investments were in crowns, it is believed Czechoslovakia will insist in repaying them in crowns."

Money in Circulation

The Treasury Department in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve banks and agents. The figures this time are those of Mar. 31, 1947, and show that the money in circulation at that date (including, of course, that held in bank vaults of member banks of the Federal Reserve system) was $28,229,810,765 as against $28,303-507,022 on Feb. 28, 1947, and $27,-878,621,746 on March 31, 1946, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, the total was $3,459,434,174.

Philippine Loan Urged

Recommendation to President Truman by the Philippine-United States financial commission of a further $50,000,000 loan to the islands was disclosed on May 8, according to Associated Press Washington advices. Elpidio Quirino, Vice President of the Philippines, in this country on an official visit, is said to have stated that the credit would be the remainder of a $75,000,000 loan authorized by Congress through the Reconstruction Finance Corporation, and is needed to help balance the new republic's 1948 budget.

Recession Now Under Way!

(Continued from page 4)

and the efficiency of labor in the industry is, to say the least, very low.

Under these circumstances, therefore, one can see that the boom of business which prevailed until about 6 to 8 weeks ago, is gradually fading out, and we are in for a period of transition. Or to put it differently, we are in for a period where our economy will assume a more normal character. By that I mean the manufacturer will learn that prices of commodities are not determined alone by the cost of production, that the law of supply and demand has something to do with it. The manufacturer and distributor will have to learn that the seller's market is gone, that the days of allotting merchandise one day in a month, playing gin rummy the rest of the month, is gone. That merchandise instead of selling itself will have to be sold. That competition will increase, will become keener, and that a number of people who thought they were very smart because they made a great deal of money in a seller's market will fall by the wayside.

A Return to Normal

Well, that is what we have hoped for for a long time. After all, this country is not one of scarcity, where a buyer seeks out the seller, hands him a couple of tickets to the theatre, maybe a cigar, to obtain some merchandise. This always was and will be a country of plenty, where the seller will have to advertise, and where the seller will have to seek the buyer. Therefore, if business activity in the immediate future is not as good as it was before it will simply mean a return to normal. The conversion of the seller's market to a buyer's market, with competition keener than perhaps ever before.

In spite of the talk of inflation, which we hear almost every day, I am of the opinion that we have seen the peak of commodity prices, and that from now on a gradual reduction in prices will take place. Why? What will bring about the decline in prices?

First, if weather conditions continue to be favorable we will have one of the largest crops of grains in this country. That experts expect farm prices to be lower in the future than they are today can be seen from the very simple fact that spot prices are so much higher than prices for future delivery.

Manufactured goods will go down because production is great, productivity of labor in most lines is slowly but steadily increasing, and competition will do the rest.

Living Standard Based on Productivity

Above all we have to relearn the old truth, and I believe that should be preached every day in the week at every convention, and there are plenty of them, that a high standard of living in this country was not "God given." The high standard of living of the people of the United States was based on high productivity of labor and machinery, which made possible high wages, and at the same time relatively high prices.

If our productivity does not increase the way it has in the past, we cannot maintain the American standard of living in the future. Wealth does not consist of money, we have plenty of it. Wealth consists of goods which have to be produced. Now we come to the real question:

Will 1920 Be Repeated?

Will this recession in business, which already has set in, will it be very pronounced? Will it be of long duration? Will the pattern be the same as in 1920, when we had a sharp break in commodity prices, a sharp decline in business activity, a considerable increase in the total number of people seeking employment? Or will this recession be moderate, last a few months, and then, after various maladjustments have been corrected, will we enter a period of good business?

In my humble opinion a repetition of the pattern of 1920 is entirely out of the question, for the following reasons:

One, before the labor situation today is entirely different from what it was in 1920. In 1920 labor was not organized the way it is at the present time and hence a reduction of wages was within the power of the individual manufacturer. This is not the case today. I doubt very much whether we will see any reduction in money wages. The reduction will actually take place because of increased productivity.

Two, the farm situation today is entirely different from what it was in 1920. In 1920 we could see the price of cotton drop from over 40 cents a pound to 12 cents a pound. And later on to five. This is impossible so long as we have floors. Floors are here for the year 1947, 1948, and, furthermore, those of you with European and foreign connections know how great the shortage of food and farm products is all over the world.

Three, speculation with borrowed money has not gone far at all at the present time. In fact, it is insignificant. In 1920 almost everybody engaged in the favorite indoor amateur sport of speculating in securities, in commodities, with borrowed money. These conditions do not prevail at the present time.

Furthermore, we have a huge supply of liquid assets in the hands of the American people. According to the best official figures available the liquid assets in the hands of American people, individuals alone, exclusive of business, amounts to over $150 billions.

Profits Will Come Down

Profits, too, will come down, because the good old law of supply and demand will bring it about, and you know it better than I do. Competition will bring a decline in prices as well as a decline in profits, and an increase in productivity.

Ordinarily, when commodity prices begin to decline business men in general begin to pull in their horns. They have found out from years of bitter experience that when commodity prices begin to go down this is the beginning of a decline in business activity. Some of you will remember that in June, 1929, commodity prices began to weaken, the decline in commodity prices that followed was in turn accompanied by a sharp decline in business activity.

Most of you will remember a decline in prices in 1937, shortly after Labor Day, again followed by a decline in business activity.

This time, I believe, and in fact I am convinced, that a decline in prices of commodities, instead of forecasting a prolonged period of poor business, will rectify the maladjustments that have crept into our economy and will make possible good business later on. A decline in food prices not accompanied by decline in wages, as it will not be accompanied, will mean higher real income. The people will be able to buy more of other things. At present the average American family spends between 30 and 40% of its income on food alone. Add to it the cost of rents, taxes, social security and union dues, and you will realize how little is left for luxuries, or semi-luxuries.

A decline in the cost of food will mean an increase in the real income, and the money will be spent on all kinds of articles which the people want.

Durable Goods Demand

We have in this country a pent-up demand for housing, the like of which probably never existed before. Great as this pent-up demand is, it cannot be materialized so long as a bricklayer lays 325 bricks a day, and a thousand feet of lumber costs $135. But as soon as cost of construction comes down we will have in this country a building boom, the like of which we never had before.

There is a great pent-up demand for machinery and equipment. Why? Because at present no manufacturer can afford to operate with old and obsolete machinery, and if he can't do it now, in what position will he be when competition really gets doing?

There is a great demand for our products from foreign countries. There is a demand not merely for American food, but primarily for American machinery and equipment, and all kinds of manufactured goods. After all, you know it as well as I do, that a great portion of the world was destroyed. Two of the greatest industrial nations, Germany and Japan, for all practical purposes do not exist any more. Somebody has to furnish the rest of the world with the material for reconstruction and development, and the only country capable of doing so is the United States. You will ask what will they use for money? Well, they have the money. The United States Government alone has placed at the disposal of foreign nations nearly $10 billions. Ten billion dollars is a great sum any time under any circumstances.

Some foreign countries, particularly those in Latin America, have a great many dollar balances accumulated here during the war. The International Bank for Reconstruction and Development will begin to operate in the next few weeks, and will sell its obligations to the American investing public. All these sums, plus the newly mined gold that will be shipped to the United States, will give them dollar exchange which will be spent in this country. We reach, therefore, a first conclusion, that while the immediate outlook for business is for a moderate decline, accompanied by softening of commodity prices, with a moderate increase in unemployment, this recession is not likely to last long, and will be rectified as soon as commodity prices have come somewhat down, and particularly as soon as the cost of construction has gone down. And once this period of readjustment is over, then we will enter a period of good business activity. But there it will be good in the sense the way we had it before the war. The term "good" as it existed during the war, when your customers ran after you, begging you for an ounce of this and a quarter-ounce of that, that is gone. That was not good at all. That was bad. And I hope that never comes back again.

Not Out of Woods

It does not mean, however, that we will be entirely out of the woods, even after a period of readjustment has taken place. And even though we enter that post-reconversion period of good business activity, it does not mean that we are not confronted with many serious problems. During the war a great many maladjustments have crept into our economy.

Second, and this is far more important than what I have said until now, we in the United States are the last of the line of the great nations where the system of private enterprise survived. All over the world there is a tendency towards government ownership, government management. There is a great struggle in the world between the ideas emanating from the United States, standing for a system of private enterprise, which made possible free men, and the other system which stands for government ownership and under which individual liberties are destroyed. The test has not as yet come. We wish to maintain our system which has made the United States what it is today. We must work for a smoother operation of this system of private enterprise. We must work for a system in which the peaks and valleys of the business cycle are eliminated. We must strive with all our might to prevent large-scale unemployment.

Summary

To sum up, then: right now we are in the midst, or at the beginning, rather, of a moderate recession. That recession need not worry you at all. It does not mean that you have got to seek shelter in your storm cellars. It simply means that you have to be a little more careful, and forget what happened during the last four years, and remember what happened before. Once this recession is over, we will surely enter a period of good business. Then will be the time to study carefully the problems that confront us, in order to demonstrate to the rest of the world that our system is really the best in the world.

Increase in Consumer Loans Reported

The consuming public borrowed an average of $1,224,530 in 1946 from member institutions of the American Industrial Banker's Association, it has been announced at Fort Wayne, Ind., by Myron R. Bone, Executive Vice-President of the Association. This figure, it is indicated, emerged from the 11th annual statistical survey just completed by the Association. It is $553,764 above that for 1945 and $553,810 higher than the 11-year average. Last year was the first year in which the average volume exceeded the million dollar mark since the AIBA's statistical studies were begun in 1936. According to Mr. Bone, the average loan made to the individual borrower also stood at a new high in 1946. This figure is $439 as compared with $357 in 1945 and $256 for the 11-year average, a gain of $82 per loan over the 1945 average and $183 over the average for the 11-year span. Despite this gain in volume, however, net profits, it is stated, while at a new high figure since 1937, were not as great, percentage-wise, as they were in 1945. The AIBA further reports:

"The number of accounts serviced per employee in 1946 averaged 522, another new high, indicating either a marked rise in employee efficiency or the reflection of the acute shortage of help. The ratio of operating income to volume in 1946 was below that ratio for any preceding year except 1944, while the ratio of operating expense to volume followed the same pattern. Although the dollar amount of loans charged off and recoveries on charged off loans exceeded similar figures for any preceding year, the ratio of net charged off loans to volume was identical with the 11-year average. The dollar expense of advertising was higher than in any preceding year, but, because of increased volume, the ratio of advertising expense to volume was below the 11-year average."

Says Fund and Bank Will Cost Americans Billions

(Continued from page 2)

transferred for little or no consideration to foreign ownership.

That the matter may be presented without confusion of thought there follow certain established principles respecting money and its uses and function.

(1) The irredeemable paper currencies now supplied their people by most of the world's governments are without intrinsic value. Such worth as they possess is derived from and measured by that for which they can be exchanged within the country of their emission.

(2) The worth of the total supply of irredeemable paper money issued by any government, whatever its purported face value, can never be greater than the worth of the country's purchasable things and services. If at any time the supply of such currency is substantially increased without a corresponding increase in the country's purchasable wealth no more is accomplished than a dilution of the country's circulating medium, and a consequent rise in prices. Expressed in terms of the currency this rise in prices means a lessening of its value since it brings less in exchange. This lessening in value at home is immediately reflected in the world's currency markets **since foreigners purchase a country's currency to use in buying things within that country.** Thus, as things in a country rise in price because of the inflation of its circulating medium, the value of its currency in exchange for that of other countries not similarly affected must decline. **Such a decline in exchange value expresses a decline in value permanent in nature** and must not be confused with those fluctuations in exchange values which normally result from the natural action and reaction of the law of supply and demand.

(3) The open market price of the irredeemable paper currency of one country in terms of that of another is the result of the interplay of many factors, chief among which are the domestic price levels and the supply of and demand for those commodities and services exportable from each country. The foreign demand for a country's currency will fluctuate with the demand for its exportable things and services. The offered supply will increase under fiscal policies which destroy public confidence.

(4) Important among the sovereign powers of state is the power to coin or issue money. This power is a prime attribute of government and may be exercised in any manner the government sees fit. Under it a government may adopt any type of money it desires and increase or decrease the supply at will. It may provide an all paper money or an all metallic money or a combination of both. It may make its paper money redeemable or irredeemable. It may call in metallic money outstanding and force the holder to accept irredeemable paper in its stead as was recently done in the United States, or restrict the use of outstanding circulation in any manner it chooses. These powers are frequently exercised and their flagrant abuse has become near universal. **Nevertheless their surrender or abridgment would constitute the surender of a sovereign right and hence an impairment of sovereignty and no country signatory to the Bretton Woods Pacts has made such surrender.**

(5) The two most flagrant and harmful abuses of the sovereign power to issue money are the practice of issuing irredeemable paper money in settlement of budgetary deficits, and that of foreign exchange restriction or manipulation. The latter is in reality but an adjunct of the former. Both are essentially dishonest practices and bring ruin upon both government and governed. The first consists of immoderate public expenditure unaccompanied by corresponding taxation. Giving appearance for a time of providing the people with something for which they are not required to pay, it meets with little public disapproval. Indeed it may temporarily prove politically helpful to those responsible for its practice. But because of the inevitable exhaustion of the savings of that portion of the people being secretly despoiled through dilution of the circulating media in which their salaries, pensions, policies, rents, or receivables are payable, or their savings accumulated all the ills attendant upon such practices soon make appearance and continue spiral upon spiral upon an ascending scale with ever increasing private misery and public discontent. It is at this point that the second of the abuses is called into play. The rotting away of the internal purchasing power of the country's circulating medium finds vivid expression in its declining value expressed in terms of foreign money. This decline is intensified by the efforts of the people to exchange their decaying currency into things of value including the money of foreign nations. Exchange restrictions are thereupon instituted, not because it is supposed they can add value to the country's depreciated circulation but because by such restrictions it is hoped to stay the rate of decline or conceal it from public notice.

(6) Under free exchange markets the relative prices of the irredeemable paper currencies of the various governments are established by the working of the law of supply and demand. They thus establish a basis for a balanced reciprocal trade. But when arbitrary rates of exchange are declared and enforced under which one currency is over-valued in respect to another, a balanced reciprocal trade is rendered impossible. **This is because the country of the over-valued currency in effect receives a subsidy from that of the under-valued while the country of the under-valued currency in effect is required to give away a portion of its exports.** The fact that these hidden subsidies and hidden barriers at first escape the eye of the casual observer makes them none the less real as may be demonstrated by one traveling or attempting purchases in foreign lands.

II

The outline just concluded presents certain principles in the light of which the Bretton Woods Institutions must now be judged. As a basis for illustration I have selected the French franc. This selection is made because from the point of arbitrary over-valuation the French situation is fairly typical of all the so-called soft currency countries.

For a long time the open market price of the French franc had been 325 to 350 francs per U. S. dollar. Notwithstanding this market price the "stabilized" or pegged price has been fixed at 119 plus francs per U. S. dollar. Thus 119 plus per U. S. dollar is the rate at which transactions between the French Government and the Fund and Bank are to be carried out, and the rate with a tolerance of 1% at which Americans desiring to trade in France must purchase francs. It is a rate requested by the French Government and wholly arbitrary. It bears no relation to reality. The open market price, on the contrary, established the simple fact that Frenchmen, who on the date of the exchange could have had whatever their 325 francs would purchase in francs preferred to accept one U. S. Dollar instead. Such exchanges reflected the production and price levels of each of the countries, the import and export demand, and all other pertinent factors political or economic.

But when the French Government is supplied with U. S. dollars at the arbitrary rate of 119 plus francs, it, or its citizens, are equipped to enter American markets upon a basis set by a political bureau. To the extent of the overvaluation of the franc Frenchmen are permitted to purchase American goods at less than going market prices while the situation is reversed for Americans wishing to buy in France. In a word, Congressman, under these pegged rates of exchange, for an approximate equivalent in value as established in the open market, a Frenchman will pay 119 francs plus to Americans and Americans 325 francs to Frenchmen. If there is need to verify this conclusion I urge you to consult with those former American buyers of French products recently returned from France empty-handed or with returned American soldiers who were deprived of the true value of their pay while in France through false and arbitrary rates of exchange. Some of the former and hundreds of the latter are to be found among your constituents.

Consideration of these announced pegged rates of exchange must serve to convince anyone of the falsity of the claims of those who asserted that the Stabilization Fund would bring about permanently stabilized rates of exchange and develop a balanced reciprocal trade between the peoples of the member nations. **Its first announced decision of importance demonstrates that it will do neither.** On the contrary by enabling the French in exchange for easily and cheaply printed paper francs to secure in things of value from Americans nearly three times that which they could secure for the same number of francs from Frenchmen, these artificial rates constitute an open bid to the French Government, composed of elected French politicians, to continue the printing and issuance of francs since they can be disposed of so profitably to foreigners.

It would be superfluous to do more than point out to you **that as long as deficit financing continues in France and other European countries the internal purchasing power of their irredeemable paper currencies will decline and as a consequence the arbitrary pegged rates of exchange in respect to the dollar will increasingly penalize the American who desires to purchase abroad and reward the foreigner in his purchases in the United States.** By printed money manipulation and pegged rates of exchange fiction may be substituted for fact only upon paper. In terms of the tangible wealth of the nation the result will always be that dictated by fact and not by fiction.

One of the inevitable results of the over-valuation of the franc and of European currencies in terms of the dollar will be the rapid draining of dollars from that conglomeration of paper currencies constituting the principal assets of the Fund. These dollars were contributed by our Government under direct authorization of Congress. If more dollars are contributed it must be by Act of Congress. Dollars on the bargain counter for foreigners mean American goods and services on the bargain counter for foreigners; dollars as gifts, and this is the reality of the situation, mean American goods and services to foreigners without cost and additional paper money inflation for Americans. It goes without saying that dollars will disappear from the Fund's assets as rapidly as the mechanisms of the Fund permit. What then? Simply this, under the terms of the Pact as ratified either you or your colleagues of the 80th and subsequent Congresses must provide more dollars **or suffer dollars to be rationed by the Fund** which means restriction upon every phase of American life and commerce including imports, exports and travel. Thus the American people will discover that far from freeing international commerce and exchange the Stabilization Fund is the very brood mother of both external and internal restriction and regimentation.

It will then be manifest to the least observant American that of the financial follies of the past decade and a half none offered less hope of success than this so-called "Stabilization Fund" which in analysis constitutes nothing less than a vain attempt to give value to the rotting paper currencies of the world through uncompensated grants to foreign peoples of American wealth and production; a final struggle to sustain on a world-wide basis the age old illusion that by the passage of declaratory laws value may be given to and sustained in that which all the world knows to be valueless. For these irredeemable paper currencies are weak in price, Congressman, because they are weak in fact. They are weak in fact because they can be produced at nominal cost as fast as presses can print, and possess value only to the extent that persons will accept them in exchange for things and services within the country of their emission; a value which shrinks rapidly under the weight of continuous issues. They will remain weak in fact and grow steadily weaker until the dishonest practices which are the cause of their weakness are discontinued and practices consistent with commercial honesty substituted in their stead. For of this everyone may be certain: Either commerce will be carried on upon the basis of true values or it will not be carried at all.

One may properly inquire as to why effective provisions are not contained in the Bretton Woods Pacts to compel member governments to cease the practice of deficit financing through irredeemable paper issues and to establish and maintain monetary systems based upon true standards of value instead of false. One may with equal propriety inquire as to why by specific limitation; by reservation and carefully drawn qualification every right to continue such deficit financing is carefully preserved. Is it not by these reservations that the true character and purpose of the Pact is revealed?

THE BANK

In the ordinary sense of the term the "International Bank" is not a bank. It is, on the contrary, a loaning corporation, the primary purpose of which is the making of **capital loans.** Its loanable assets consist of a ratably negligible proportion in gold, a very considerable sum in U. S. currency plus considerable sums in the irredeemable paper currencies of member states. All additional loanable sums, and it is estimated by the management that these may exceed $6,000,000,000, must be secured from sale of the Bank's debentures, sales which the management has stated must be made almost exclusively in the United States and Canada. The sums secured from the sale of these debentures to the private and institutional investors of the United States and Canada will be United States or Canadian dollars and as a supposed measure of safety for debenture holders, loans made from the proceeds of these dollar debentures **will be payable in dollars. The experience of the recent past, as I shall point out, demonstrates how futile is this supposed measure of safety.**

The non-working capital of the Bank consists of the unpaid subscriptions of member nations which may be called up only as required to meet interest and amortization requirements upon the Bank's debentures. In other words this subscribed, but unpaid capital, is neither better nor worse than the bonds or other obligations of the member countries. Those who would not invest their funds in the bonds of these countries have slight warrant for placing reliance either upon their unpaid subscriptions or guaranties.

The loans to be made by this institution are, in the main, to be **capital loans** granted to specific "productive" projects within member countries other than the United States and Canada. It is understood that, save for "exceptional circumstances," an undefined term and capable of broad interpretation, all loans must be payable in a currency other than that of the borrower. They are also to be guaranteed by the member country within which made or by some suitable agency of such country.

Since I propose to discuss this Institution from a broad, rather than from a detailed plane, it will be unnecessary to attempt an analysis of its operational mechanisms. I shall however advert to two astonishing principles which are basic to its operation. Both are found among its announced loaning conditions. One is this: the Bank must be "satisfied that in the prevailing market conditions the borrower will be unable otherwise to obtain the loan upon terms which in the opinion of the Bank are reasonable for the borrower." The second: that in the making of loans the Bank shall treat political conditions within the country of the borrower as irrelevant and consider only economic conditions.

By the first of these principles it is made certain that the Bank's portfolio will contain no securities which could have been sold upon the world's security markets at the time the loan was made. By the second it is provided that the Board must disregard both the political character and political policies of the country of the borrower and, treating them as irrelevant, view the loan from an "economic" standpoint alone. Here then is a loaning institution, Congressman, frankly intended and fully empowered by Congress to absorb the savings of Americans to the extent of many billions of dollars which is pledged to take only foreign loans which could find no takers elsewhere, and to disregard the political character, purposes or stability of the country within which the loans are made. It would be superfluous to urge upon any thoughtful person the grave implications of these provisions. The first constitutes a pledge to disregard immutable economic forces and proceed upon the basis of artificial standards bearing only such relation to reality as the sitting directors of the Bank may at the moment deem expedient. The second constitutes a pledge to disregard the most patent consideration underlying all international long-term credits, the honor and stability of the government under the laws of which the commitments and contracts must be interpreted and enforced. To assert that all the governments of the world are alike in honor, probity and stability is to utter that which all informed persons know to be untrue. Our own government is at the moment undertaking to prevent the establishment of certain existing types of government within foreign states. As a corollary an institution entrusted with the loanable funds of innocent persons which is pledged to make long-term capital loans to borrowers in total disregard of the political character and observable policy of the government under the jurisdiction of which both the borrower and his property must exist and by the laws of which both borrower and lender must abide has pledged itself to a policy which disregards truth, defies reason, and makes mockery of human experience. It is a policy leading to disillusionment and disaster.

But it is to less obvious, though equally certain disasters in store for this Institution, that I wish to direct your particular attention. That which I propose to make clear is that even indulging an assumption of good faith on the part of both borrower and his government **these dollar loans made from the funds of the Bank will be no less impossible of repayment than the vast defaulted public and private loans to foreign governments and borrowers following the first World War.** For this is the same old world, Congressman; the same peoples, **though of greatly diminished wealth and ability to pay;** the same states and nations, the same nationalisms, and the same human nature. We are, in short, to become victims of the same old wolf once legislated against by Congress after its nature had been revealed by the clearest of demonstrations. It is true that for the improvement of its appearance and that it may be less readily recognized the wolf is dressed in new and more alluring clothing. **But behind the concealing facade of the sonorous nomenclature and impressive mechanisms of banking and commerce lies the inescapable truth that American dollars loaned to foreigners, if repaid at all, must be repaid in dollars; dollars which, conclusively proven to have been unobtainable by the debtors under the more favorable conditions following the first World War, are the more unobtainable under conditions prevailing now.**

Understanding of the reasons for this requires that one bear in mind two important considerations:

First: That the "Stabilization Fund" and the "Bank" are integrated Institutions. Their membership is alike; their directing managements are in large part composed of the same individuals; their purposes and aims identical. They are intended and designed to operate in unison.

Second: That the dollars to be taken from the savings of Americans and Canadians and loaned to foreigners for capital investment in foreign lands **become fixed capital within the countries into which they go.** The dollars required in repayment of the loan must be obtained, if at all, as profit realized from the sale of goods or services for the most part to the citizens of the loaning countries.

Since the capital loans we are discussing can be repaid only through sales of goods and services to the creditor nations one exploring the possibility of their repayment must examine the possibility of such sales. And this examination will lead directly to the arbitrarily created "parities of exchange" now in effect under orders of the "Stabilization Fund." The artificial character of these parities has already been demonstrated and, using France as illustration, I have pointed out how the gross and inexcusable overvaluation of the French franc in relation to the U. S. dollar acts, to the extent of that over-valuation, as the full equivalent of a tariff against the importation of French merchandise into the United States and contrariwise of a subsidy in favor of imports from the United States into that country. This principle is equally applicable to all other member countries whose currencies are overvalued in relation to our own or in relation to that of any other member country. Great Britain is already struggling against the handicap imposed upon her commerce by the over-valued "soft currencies." The British Government is now aware that, despite conditions at home, British merchandise is in part being given away to these soft currency countries.

Observing that the things purchased for foreign use and transported from our shores are being paid for with American dollars, unthinking American supporters of this crude device for the sacking of their country, fail to note that the dollars are coming not from foreigners but from the savings of Americans, no doubt in part from their own. By monetary and exchange manipulation, the character of which they do not comprehend, their country's tangible wealth is being ruthlessly drained from it without possibility of an equivalent return. The people complain of inflation; of scarities, and of high prices. Deceived and misled they unsuspectingly support men in high office who, without cessation, promote all three. It has been urged that these over-valued currencies are but a passing phase of the recovery period; that once abundant sales to Americans from the countries of the over-valued currencies become re-established the artificiality will disappear. The falsity of this contention becomes apparent when one observes that sales cannot be re-established under these arbitrary rates of exchange.

III

An alluring picture is painted by those who suppose it possbile to assure full employment of American capital and labor through export trade. These persons envision an increase in production far beyond that required in satisfaction of our own needs. This increase is to be sold overseas and from the returns both capital and labor are to be compensated. In their eagerness, those adhering to this belief acknowledge no limit to the prosperity we shall enjoy once proper attention is given to the stimulation of sales abroad. Their first demand is that we provide pump-priming dollars to indigent nations in order that they may at once begin the purchase of our output. To them this seems the simplest of equations and those who fail to share their rosy optimism are deemed by them to be singularly obtuse. Since I am one of those to whom the visions of these enthusiasts seem singularly lacking in substance, I propose to point out to you the reasons for my disbelief. They follow:

(1) If the dollars we send abroad come from our annual tax revenues they are taken from the current spendable income of Americans and given or loaned to foreigners. They add nothing to our sales potential since the process consists of no more than taking the spendable dollar from Peter, the American, and sending it to Paul, the foreigner. But had Peter, the American, spent it both the dollar and thing he acquired would have remained in America. When Paul, the foreigner, spends it the dollar comes back to America but that which he purchases goes abroad. This is an act inflationary in character since by it we have reduced our purchasable wealth with no corresponding reduction in our circulating medium. It is an act which breeds both scarcity and high prices.

(2) If the dollars we provide are procured by deficit financing, that is by borrowing, we create the illusion of taking nothing from the present American taxpayer, while providing the foreigner with the dollars required to purchase our salable things. Superficially plausible this is a vain unreality. The borrowed dollar sent abroad constitutes a draft upon the production and wealth of the present generation of Americans. This generation must produce or sacrifice the thing that goes abroad in response to its expenditure, and it is the stock of presently produced or accumulated tangible wealth of this generation that is diminished by the overseas shipments while it is the circulating medium of this generation that is diluted by the return of the newly printed dollar. This constitutes an act of purest inflation since by it a newly printed paper dollar or manufactured bank deposit is added to our circulation while an equivalent amount of wealth is deducted from our store. Those who cry out against either scarcity or high prices will cry in vain if this practice continues since it is a practice which produces both.

Dollars required by foreigners with which to liquidate their American debts or pay for current purchases are to be obtained only through sale of goods or services to Americans. And, as unpalatable as the fact may be, and though they refrain from uttering the word, those who speak of exports are also speaking of imports since commercially the one cannot exist without the other. These imports must find their way to the American consumer either as services or as consumable goods or fixed capital. Of necessity they must be in large part sold in competition with and displacement of goods and services of American make or provision. That which displaces American made goods displaces American labor. That which through competition forces down the price of American goods will force down the wage of American labor.

Yet if our exports are to increase our ports must be correspondingly opened to imports. I need tell neither you nor your colleagues that this presents a political problem of near monumental proportions. Individual congressmen will fall by the score, and parties may and in all likelihood will fall as the controversy rages over this issue.

Of what classes of commodities will the newly admitted items consist and what factors must be deemed controlling in their selection? It is clear enough that we can export only the things the foreigner desires and will buy at our quoted prices. Foreign demand must therefore prove controlling in respect to our exports. It is equally clear that we must accept in exchange things desired by Americans and for sale by foreigners at prices Americans will pay. It is no less clear that in the main our exported commodities will differ in character and kind from those imported. To export a given commodity in quantity taking back an equivalent quantity of the same merchandise would make little sense. It therefore admits of no doubt that if recovery is to be had upon our foreign loans and reciprocal commerce with foreign states established decisions respecting newly admitted items must be made either by Congress itself or by some bureau acting on behalf of Congress. It is also inescapable that the decisions so made must be controlled by international economic forces to the exclusion of domestic political considerations. Industries capable of producing that which foreigners will buy must be permitted to expand; from those which produce the things foreigners find it possible to sell in our markets, the protection of tariffs either in whole or in part must be withdrawn. The latter must submit to foreign competition in order that the former may be paid.

Legislative action divorced from political considerations exists only in the rarified atmosphere of uninformed idealism. When men are found in public office capable of such action they face swift removal by indignant constituents as every congressman or minor legislator knows. **Yet the possibility of payment of foreign credits or of the loans to be made by the Bank or Fund does require political action divorced from domestic political considerations.** It will require political action adversely affecting certain classes of our industries in order that other classes may expand their businesses and presumably their profits. It will require objective political action predicated upon forces beyond the control of the Legislature. In a word, Congressman, it requires that, insofar as is necessary to secure repayment of our foreign loans and payment for our expanded exports we remake the industrial pattern of America, a process which, however desirable from the standpoint of the long view will be exceedingly painful and distressing from that of the short. Failing in this unwelcome and for many, politically disastrous task, our present loans like those of the past must go unpaid. To manufacturer or producer A the government must say "however regrettable, you must henceforth submit to foreign competition." In answer to A's inquiry as to the reason for his selection for the sacrifice the answer must be "in order that B may receive payment principal and interest upon his foreign loans and C for his expanded exports." To a manufacturer or producer facing grave losses; to labor facing reduced wages or loss of employment; to farmers and planters facing lowered prices; to security holders observing the declining value of their securities; to communities threatened with loss of industry and of population as well as decline in the public revenue, this answer will prove far from convincing. To assume that men and women possessed of the vote will submit without a bitter struggle to forced sacrifices at the hand of government under the circumstances outlined, is to disregard the entire history of democratic action. Orators and commentators may describe the brave new world to emerge from a remaking of the old. Those to be immediately benefited will be convinced and those to be immediately harmed will remain unconvinced. The American world has been built behind the barriers of protectionism. A high standard of living has been achieved and to it the people claim vested right. Cities have been built around great industries and the long-time fiscal policies of states and their subdivisions have been predicated upon the tax revenues they yield. Great transportation systems, the securities of which are universally held, serve industry as presently constituted. The localization of American production and industry by types is the product of many factors exclusive of tariff protection, important among them being those of soil, climate, proximity to raw material, to markets, to transportation. These factors cannot be changed by governmental edit. Every officeholder and every citizen is sensitive financially and emotionally to whatever adversely affects the industry of his section. By such persons and their leaders the entire new concept is already being challenged and the hard fact will continue to be uppermost in the minds of those selected for sacrifice, that whatever the anticipated future, the present contemplates the destruction of, or injury to, one man's business that another's may be enlarged. The infant industries of foreign states will also demand and receive protection against the American giant.

But removal of tariffs if politically possible would not of itself restore world trade. Through destruction of long accepted standards of relative values and of stable mediums of exchange world trade has been placed under dislocating handicaps. These handicaps can be removed only by restoration of monetary standards based upon reality. Measures designated as measures for the cure of world trade which do not require the abandonment of practices which have proven evil are as fallacious as the evil practices themselves. From the standpoint of Americans they do immeasurable harm at home without possibility of permanent accomplishment abroad. To describe the present international monetary situation as a natural consequence of two world wars with an uneasy intervening truce does not alter its true character nor render its cure less difficult. For whatever its cause and despite its world-wide revalence the nature of the malady remains unchanged. Though economic in character and therefore less readily understood by the masses the origins of paper moneyism are purely political. The cure, if any is possible before its full course has been run, is to be found in the field of politics. In every country in the world distinguished economists and scholars are to be found quite able to point out to those in power the measures essential to re-establishment of sound monetary systems. **But in the entire world not one economist or scholar is to be found capable of pointing out how those in power can deflate an inflated paper money circulation before it has run its course and at the same time maintain themselves in office.** It is upon this political rock that efforts to undo paper money inflations break.

Only the force of an alarmed people enraged at the great fraud which, for themselves, they have discovered to have been perpetrated against them is sufficient to bring a policy of monetary inflation to an end. Incapable of comprehending their true nature through the process of abstract reasoning, or of fully anticipating the consequences of inflationary measures, the mass of the people become aware of their peril only when the great imposture becomes apparent through skyrocketing domestic prices and catastrophic decline in the value of their currency in foreign exchange markets. They are then prepared to act. The cure of disillusionment is manifesting itself. It is this very cure now manifesting itself throughout the world which desperate men abroad and

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Says Monetary Fund And World Bank Will Cost U. S. Billions

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unwise men at home are attempting to prevent. Through the operation of the "Fund" and "Bank" they are attempting to hold back the irresistible forces of truth. They propose to promote a balanced world trade by decreeing reality outlaw and enthroning unreality in its stead. Backed by nothing more potent than their own fiat they demand that the world's commerce be carried on upon a basis of exchange values sustained by nothing more tangible than the record of that which once was and their own concept of what ought to be. In this effort the full measure of their attainment will be to again demonstrate the impossibility of promoting commerce by substituting the judgment of political bureaus for that of the free marketplace.

But this redemonstration of an often demonstrated principle of mass human behavior will, unhappily, not be without its cost, a cost which will fall with heavy oppression upon Americans, since, despite the spiraling inflation against which they now struggle, billions of the tangible wealth of their country is to be drained from it without possibility of return. Under a method, impressive in form but false in substance, their country, in time of peace, is submitting to sack by foreign peoples. To this Americans in office have consented in the baseless hope that the temporary delay it may offer to the natural process of disintegration now observed in the world's paper currencies and hence in the world's commerce will result in some miraculous cure. **But the ill is one for which there is no cure save in eradication of its causes.** They wish for healing without discontinuance of those evil habits which have resulted in the illness. It is the hard compulsion of the truth, the irresistible, though often slow-moving force, exercised by reality against unreality, against which they contend. In attempting to stem this force they are but one step less ill-advised than those who gave first impetus to the false beliefs. Their efforts will but prolong an agony which should be brought to an end. But it will not be brought to an end until Congress ceases the practice of pouring out the nation's wealth in support of a great world-wide deception. It is a practice by which monetary charlatanism is encouraged. It impoverishes the best elements of our own people and enriches no one save unworthy foreign politicians, speculators and those elements of international society which by all rules of good conduct deserve support from no one. And since price controls, exchange restrictions, and commercial regimentation are an integral and essential part of all monetary debasement, being the cloak under which those responsible attempt to hide the evil which has been done, they make certain a continuation of such controls and not their abandonment. American billions are thus being poured out and the American people impoverished in promotion of the very thing we condemn.

Very truly yours,
WILLIAM CHAMBERLAIN.
Saratoga, Calif.
April 25, 1947

The International Bank and World Trade

(Continued from page 2)

was taken in the belief that it was in its own interests and for the protection of its own trade, and the combined effect of all these steps was a vast pattern of obstacles to the detriment of the interests of all countries.

The Effect of the War

On top of this situation, we had the world's most destructive war, a war which destroyed industry, manpower, homes and moral fibre. Hundreds of billions of dollars were poured into the instruments of destruction. Trade itself became very largely a trade in these instruments. The economies of many countries have been devasted or disrupted. We now have the immense task of restarting the wheels of industry and peaceful trade throughout the world; and one of the greatest problems is the position of those countries which felt the immediate impact of war. In many cases the disruption and dislocation of their economies has been so great that they will not recover within the foreseeable future unless some steps are taken to give them help. We have all learned in recent years that economic isolation is impossible; a world half sick and half well will soon be wholly sick unless some steps are taken to heal the sickness.

It was in anticipation of this world situation that the Bretton Woods Agreements were signed. It was recognized that there would be two major problems to be solved:

Firstly, the protection of the interests of all countries from those currency evils which would hinder and choke the free flow of world trade, and

Secondly, the giving of assistance to countries which, without it, could not take their proper place in world trade, either because they had suffered devastation during the war, or because their resources were not properly developed.

The International Monetary Fund was designed to meet the first of these problems; the International Bank for Reconstruction and Development, the second.

The Part of the International Monetary Fund

There is probably no more powerful element of instability and uncertainty in trade than unpredictable rates of exchange, and a necessary step for the resumption of free trading throughout the world is, therefore, the establishment of stable rates of exchange. The 44 member countries of the International Monetary Fund have agreed to fix the value of their currencies, and not to vary these values without consultation with the Fund. Thirty-four Members have already declared their par rates of exchange; only 10 countries have not yet done so, some of them, under a provision in the Articles of Agreement, allowing for a temporary postponement of the fixing of parities by countries which have suffered enemy occupation.

If, in the opinion of a Member country, it should become necessary to alter the value of its currency, this will be done only after consultation with the Fund. In addition, and most important, all Members of the Fund have, in effect, agreed to certain basic rules which establish what might be called a code of behavior with regard to exchange practices. During the post-war transitional period, certain restrictions have of necessity to be maintained by a number of countries, but, as the abnormalities caused by the war disappear, it is hoped that these restrictions will also disappear. The ultimate aim is the removal of all restrictions so that payments for current transactions may be made multilaterally.

In order to help all Member countries to approach this goal, a pool of exchange has been created to which every Member has contributed a quota. Each Member pays in gold either 25% of its quota or 10% of its net official holdings of gold and U. S. dollars, whichever is the smaller, and the balance in its own currency. In return, Members temporarily short of foreign exchange for the purpose of meeting current payments abroad, may buy such foreign exchange from this pool, subject to certain limitations both as to the total amount which they may buy, and also as to the amount which they may buy in any one year. In this way Member countries are enabled to obtain their reasonable temporary requirements for the balancing of their current foreign exchange transactions, and so avoid restrictive or disruptive measures.

The International Bank for Reconstruction and Development

The International Monetary Fund, then, is primarily intended to function in relation to current trade and to take care of temporary situations. It is not intended to provide the long-term capital needed by devastated and undeveloped countries so that they may make their contribution to world trade. That is the job of the International Bank.

Let us consider first the countries devastated by the war. They have a tremendous task; they must marshal their depleted manpower; they must teach their youth the techniques of industry; they must continue to restrict home consumption in order to increase capital investment, to combat inflation and to buy for themselves abroad the bare necessities for revival. But whatever their own efforts, it is perfectly clear that these countries will not recover without external asistance. This means that world trade will not revive unless that assistance is given.

Although these countries need money urgently, the private investor, mindful of experience between the two wars, and overwhelmed perhaps by the magnitude of the needs of individual countries, is hesitant to provide it. Private lending did not do what was hoped of it in the inter-war years, and the investor today cannot help remembering that there have been many defaults on loans issued during that period. His reaction is natural, although we must not forget that there were defects in the inter-war lending, which must be borne in mind if we are to get a true picture of what happened. Let us face the fact that our lending was done for gain; it was not a part of a coordinated program; encouragement was sometimes given to borrowers and lenders alike without sufficient understanding of what was involved; loans were sometimes made for unproductive purposes; insufficient care was often exercised to see that a loan was used for the purpose for which it was granted; and high interest rates, instead of being a warning to investors, failed to do anything but to encourage them to invest their money. The question now is: "Can we make a better job of lending this time? Can we help the borrower to make a better job of borrowing this time?"

The Bank's Charter

The lines on which the Bank must approach its task of assisting in the economic and financial recovery of the world and the conditions which must govern its actions have been clearly laid down in the Articles of Agreement. These conditions reflect the heavy responsibilities which the Bank carries, both towards its Members and towards the investors on whom it must eventually depend for the major portion of the funds which it will lend. They may be summarized as follows:

First: The Bank is to assist in the reconstruction of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs, and the development of the less development countries;

Second: It must promote private investment whenever possible, and supplement it where necessary;

Third: It must seek to promote the long-range balanced growth of international trade, and the improvement of productivity, of the standard of living, and of conditions of labor throughout the world;

Fourth: It must deal with the more useful and urgent projects first;

And finally, the Bank must be satisfied that the borrower would be unable to obtain the loan elsewhere on reasonable terms and that he will be in a position to meet his obligations under the loan.

The fundamental aim of the International Bank is the revival of world trade and prosperity; all its operations are means to that end. The International Bank is therefore, in a special sense, **your** bank, because you are vitally interested in the achievement of its purpose.

The Bank and Its Members

Simply stated, the Bank is a cooperative institution, to which 44 Member countries belong. These countries have paid certain sums, proportionate to their resources, into a fund which forms the first working capital of the Bank. They have also assumed the liability for much larger sums in order that the Bank might be in a stronger position to raise further funds for its purposes.

The Bank is, therefore, designed to promote mutual assistance among its Members for the reconstruction and development of their territories. Loans will be made only under the responsibility of a Member of the Institution, and this should have an important effect on the relationship between the borrower and the lender. Both have a common interest not only in the success of the loan, but also in the success of the Institution; this permits broader and closer relations than is ordinarily the case between creditor and debtor. Encouragement will be given to a full exchange of information with regard to all matters of mutual interest, and full opportunity to consult with each other on all such matters, not only at the time the loan is made, but throughout its continued existence.

The Bank's Position as a Lender

There are some special features in the Bank's position as a lender which are of great importance for the proper fulfillment of its task:

First: Its loans will be made with a view to their effect not only on the economy of the borrowing country, but also, indirectly, on the economy of other countries; thus a loan for the equipment of a certain industry in one country may also benefit a neighboring country which is in need of the output of that industry;

Second: It is lending to its own Members, with whom it should have more satisfactory relations than normally can be established between a creditor and a debtor;

Third: It can offer the private investor the opportunity of sharing in the work of the Bank, through subscription to the Bank's debentures, while enjoying a security which he could not obtain from direct lending.

Funds Available to the Bank

Now for a word about the Bank's resources, a subject which has been surrounded by a haze of misinformation. The Bank depends in the first instance on its own subscribed capital, of which 20% will be paid up by the end of the present month. The balance of 80% is to remain subject to call, only if it is required to meet the obligations of the Bank. If this is ever necessary it will then be payable in gold, U. S. dollars, or the currency required to discharge the obligations of the Bank. This uncalled 80% is, therefore, in the nature of a guarantee fund for the further security of those who buy the Bank's debentures. The only working funds of its own which the Bank possesses consist of the 20% of called-up capital. But only 2% is payable in gold or U. S. currency, the remaining 18% being payable in the currency of the Member country; this latter portion can be used for loans only with the specific consent of the country concerned. It is obvious that under present conditions it would defeat the Bank's purpose to utilize the currency of any country which is itself in need of credit, and we may therefore, say that the 20% immediate capital contribution of the U. S., plus the 2% payable in gold or dollars by the other nations, makes up the present loanable capital of the Bank; this sum totals approximately $725,000,000.

For the supply of further funds the Bank must rely on its capacity to borrow, and its capacity to borrow will depend entirely on the confidence which it is able to inspire in the investing public. There is no danger, as has been suggested, that the Bank may lend too much money. Apart from the limitation imposed in its Articles of Agreement, that its loans must never exceed its capital, surplus and reserves, there is this practical limitation that it can only lend if it can borrow. After it has drawn on what I have just called its present loanable capital of $725,000,000, therefore, it will be entirely dependent on the judgment of the public regarding its portfolio, and on the confidence which its policy will have merited. Although, therefore, the International Bank must not make loans which private bankers would be willing and able to undertake on reasonable terms, it must not make bad or imprudent loans. It must act with prudence and wisdom in the building up of its portfolio; for it is on that portfolio, and on the confidence which it will inspire in the public, that the capacity of the Bank to obtain further funds will eventually depend.

Use of Available Funds by the Bank

Applications for loans totalling $2,554,000,000 are in the hands of the Bank and under study; but this does not mean that the Bank is contemplating or considering lending that amount in the near future. Most of the applications cover reconstruction programs extending over years—some as long as five years. The Bank must of necessity study the whole program in each case, but it is not prepared to commit itself for the full period, or for the full amount applied for, no matter how worthy the program may appear. If a loan is made, it will be for the first and most urgent part of the program, which can be completed in say, a year to 15 months. The next stage of the program will be considered when more money is needed, and in the light of the borrower's performance and conditions as they may then exist.

In this way advances will be made to a borrower successively; a check will be provided on the use of the loan, and funds will not be made available more rapidly than the supplies of goods can be obtained for which the funds are desired.

Loan Policy

In studying an application from one of its Members for a loan, the Bank will have to consider many questions, such as:

(a) The urgency and usefulness of the project. (The aim of the Bank's lending must always be to get the greatest possible results for the amount lent, and it is clear, for instance, that the breaking of a bottleneck in a devastated country will usually produce more rapid and beneficial effects than a project for developing a latent economic potentiality.)

(b) Whether the purposes for which the proposed loans are to be used are constructive and practical, and will be beneficial both to the borrower and to world trade.

(c) Whether there exists in the country the willingness and the ability to use its own resources to the fullest possible extent.

(d) Whether the loan is likely to produce the effects which the borrower anticipates.

(e) Whether the borrower will be in a position to maintain the service of the loan.

The Making of the Loan and the Bank's Continuing Responsibility

If the Bank decides that it can usefully and properly make a loan, the funds will be made available to the borrower only to meet the purchases for which the loan has been granted. But the Bank's responsibility for the loan does not cease with the granting of that loan. Looking back on the past, a defect in the machinery of private lending has been that, once the loan has been made, the responsibility for maintaining its service rested with the borrower, and there was no arrangement for cooperation, or even consultation between the investor and the borrower. It is the aim of the administration of the Bank to remedy this defect by the development of a relationship with its borrowers, which will result in continuous consultation and exchange of information during the whole of the time that the loan is outstanding. The Bank will maintain a proper interest not only in the plan or projects for which the loan was made, but in the whole situation of the borrowing country insofar as it might affect the security of the loan.

The Bank's Loans and World Trade

We come now to a more general consideration of the relation between the Bank's loans and world trade. When a devastated economy is repaired or a backward one developed it is not only the country concerned which benefits: all countries benefit. Markets are re-opened, fresh sources of supply are made available. In trade, as in all human activity, the interests of one are the interests of all; the health of one member contributes to the health of the whole body.

International Bank loans, therefore, will benefit everyone. Not only will these loans produce the articles of trade, but they will help restore that confidence on which, in the last resort, trade depends. If we can help to put countries on their feet again, if we can give them the assistance which they need during their convalescence or the development of their economic strength, we shall have contributed a great deal to the restoration of confidence, and business integrity and experience may again receive their proper credit rating.

The world has been through such suffering, and is faced with such problems, that the restoration of faith in the future would perhaps be the greatest contribution that could be made to recovery. In the restoration of that faith the International Bank has an important part to play.

I need hardly remind you that the Bank alone cannot revive world trade; what it can do is to help create conditions favorable for that revival. The revival itself will always be dependent on a free flow of private credit closely related to the movement of goods and this is the function of the commercial banks and the traders themselves.

I believe it is of the greatest importance for all of us that those interested in world trade study closely the aims of the Bank and the policies it pursues to accomplish those aims, so that their confidence in it may grow and so that they may lend to its support the whole force of their influence, with advantage to everyone.

No Drastic Recession!

(Continued from first page)

index will remain continuously at this very high level of 188 to 190, but allowing for various adjustments that are likely to take place in the economy we think that the most reasonable expectation for 1947 calendar year is 180 — 10 points lower, roughly, than the peak of the last month or two.

Now, let me extend this to calendar year 1948. The most probable figure for that calendar year is 175, which is about half way between 1946 and 1947 calendar years.

Senator Bushfield: You are talking now about physical production, are you not?

Mr. Edie: Strictly physical.

Senator Byrd: That includes the products of industry and agriculture?

Mr. Edie: No, sir. This includes industrial production. It includes manufacturing and mining but not agricultural except insofar as it is reflected in food manufacture, textile manufacture, shoe manufacture, and so on, but does not include agricultural products at the farm.

Senator Byrd: If we shipped a lot of wheat over to Europe it would not include that if it had not been processed?

Mr. Edie: That is right.

Now, knowing that a tax bill relates to a fiscal year—

Senator Lucas: May I inquire what you base the 1948 estimate upon?

Mr. Edie: What I base it on?

Senator Lucas: Yes.

Mr. Edie: Well, it is based on our analysis of the individual industries that make up the index. Say there are roughly, 30 separate industries—steel, automobile, and so on.

Our method of trying to get the overall index is to analyze each one of those industries and to make the best estimate we can of how much steel production there will be, how many automobiles will be turned out, and then combine those individual studies into the total index.

Senator Lucas: Your 1948 estimate is more speculative of course than your 1947?

Mr. Edie: Necessarily so.

Senator Lucas: I presume that such an estimate is made upon the theory that there will be little or no recession during 1948.

Mr. Edie: Little or no is perhaps belittling it too much. I am assuming in this case what I would call an orderly adjustment in industry and that would mean, in terms of the index number, that from a peak of, roughly, 180 it could drop down to 170 or 165—in that range—and that would correspond with the calendar year figures that I am using.

Now, if we were talking about a drastic recession we would have somewhat lower figures and I will, in just a moment, if I may, give you figures based on a drastic recession, which in my best judgment does not necessarily have to happen and probably would not happen, but may happen.

Senator Lucas: You base this more or less on what you term an orderly adjustment?

Mr. Edie: That is right.

Senator Lucas: Between now and the end of 1948?

Mr. Edie: That is right.

Senator Lucas: But if you take the figure that you gave of 175 you do not look for any major depression. There might be some slight depression or orderly adjustment I take it.

Mr. Edie: That is correct but that would allow for a decline temporarily of 20 to 25 points in this index but would not allow for the level of business to stay there. It assumes that it will snap back by the middle or late 1948.

My figure for fiscal '48 would be 171, or about the same as calendar '46.

Now, those are what I regard as the most probable figures, what I think of as the calculated risk in making plans for the future.

Senator Byrd: Then to translate that into the present prosperity of today or industrial level of today, it would be about 10% less in 1948?

Mr. Edie: No. Well, it would be about 10% less than the peak, that is right.

Now, if you assume a drastic recession—and in this kind of work I think experience teaches us that we must allow for the unexpected, or we must allow for things that may possibly happen although we do not regard them today as probable. So I have tried to translate this into a set of figures based on a drastic recession.

Now, let me identify drastic recession in terms that will be, I think, readily understandable. Let us suppose that there were six million unemployed by the end of this year or early next year, and let us assume that there were a decline of 15 to 20% in agricultural prices, on the average. What would that mean in terms of the physical level of business—in other words, in terms of these indexes.

Well, it would mean that the low quarter of this period ahead would probably occur either the fourth quarter of this year or the first quarter of next.

Prospective Unemployment Not Dangerous

Senator Milliken (Chairman): What is your estimate of unemployment at the present time?

Mr. Edie: About $2\frac{1}{4}$ million.

Senator Martin: Is $2\frac{1}{4}$ million about normal for our country?

Mr. Edie: Well it is a rather small normal. That represents what you might call shortage of labor, or pretty full employment. You can have three to four million unemployed and still regard that as relatively normal.

Senator Martin: There would not be any danger to our economy if we had as high as four million unemployed?

Mr. Edie: No. That would not be a dangerous change and it would comply with orderly adjustment. When you get up to six million or better you are beginning to get unemployment.

Predicts Moderate Drop in Income Payments

Mr. Edie: The natural payments for 1946 calendar year were reported as $165 billion. At the present moment they are about $177 billion as an annual rate. In the 1947 calendar year the most probable figure is $175 billion. 1948 calendar year $172 billion and 1948 fiscal year $170 billion.

Prices

Testifying on prices, Mr. Edie told the Senators that price levels will be moderately lower than present levels, but mainly because of monetary factors, he foresees no "violent" drop, and feels that the wholesale index will become stabilized at about 10% below the recent peak.

Mr. Edie: If I may go on to the question of the price level: most analysts rest a great deal of their thinking these days on what is going to happen to commodity prices and the more pessimistic people about the business outlook derive their conclusions very largely from the expectation of a violent decline in commodity prices.

By "violent" I mean this: that the all-commodity wholesale price index has recently been up to a peak of 149. I might just orient that index in this way: that 1926 equals a hundred. August 1939, when Hitler went into Poland, equals 75. So that at 149 you practically double August 1939—all wholesale prices.

Now, the extreme pessimists about the business outlook are indicating a target for these wholesale prices that is very much lower. Down around 110 to 112 in the index. Obviously the drop from 149 to 110 or 112 is pretty serious.

Senator Milliken: That would take us back to when—to what comparable period?

Mr. Edie: To about February and March of 1946. I think February was 107. February 1946 was 107. So we have come up fast and furious since then to 149.

Senator Lucas: What do you attribute that to?

Mr. Edie: I attribute that mainly to the money supply that was created during the war. We increased the demand deposits of the banks and the currency in circulation by a little over 200% during the war, and when the OPA was lifted, the prices were free to seek their own level, they came up to this 149 point which I would regard as high enough to put them in equilibrium with the new money supply. I think it was a matter of adjusting to the money supply created during the war.

As a matter of fact we created a little more money supply during last year—about another 7 billion — so I would say it is a money supply question primarily.

Senator Lucas: You know there were those who said that the moment we took off OPA there would be a slight rise in prices, but it would immediately drop back to where they were under OPA.

Mr. Edie: I realize there were those who said that sir, but I do not think they were taking into account, into the reckoning, the money supply factor. They were looking at it on a supply and demand basis, leaving the money supply largely out of the accounting and I think that was the error.

Senator Milliken: I think, Mr. Edie, there were also those who said that the price lines of OPA being arbitrary simply served to mask the condition that has since revealed itself?

Mr. Edie: Yes, I recall such comments at the time.

Senator Johnson: And I recall at the time that it was said by the opponents of OPA that when you removed the OPA restrictions that the prices would go to the black market level which was the supply-demand level, and that of course was a sensible observation at the time and it has proved to be since then. Prices did not go above the black market level.

Mr. Edie: I think that is correct.

Senator Johnson: They have not gone above them.

Mr. Edie: I think that is correct, but there seems to be a concept now, widely accepted, although I do not, myself, think it is right, that prices now have got to return to a normal level. And what is normal? Why, normal is where prices were before OPA went off, and if prices have got to make that decline they have got to go from, say, 149 down to 112 or something like that, which is a very severe decline, and I do not think it is going to happen.

Senator Milliken: That would assume, would it not, that the OPA price levels were realistic?

Mr. Edie: That is right. That would assume they were realistic and in tune with this new money supply, which they were not.

Senator Milliken: That raises the whole argument as to whether they were realistic.

Mr. Edie: That is right. My own point in bringing this up is that if you are going to adopt a highly pessimistic view of business I think you have got to justify it and support it and argue for it in terms of a very sharp decline in commodity prices, and if you do not start from a very sharp decline in commodity prices you cannot get this very violent business recession that people are talking about.

That was my point in developing this.

Well, being critical of the other fellow's ideas of what is going to happen to prices, I suppose that it is appropriate for me to state my own ideas about it. I think that the new normal level of prices — I am talking wholesale prices, not the cost of living—is considerably above the level at the time OPA went off. I think it is between 135 and 140 for this index.

Senator Milliken: Is that for fiscal or calendar '48?

Mr. Edie: That is regardless, for '47, '48, '49. It is a plateau over a period of years; I am thinking year.

Senator Milliken: What was your estimate?

Mr. Edie: Between 130 and 140, and I think that because the money supply is fixed up at this high level. I do not see anything that is going to bring that money supply down enough within any one twelve months' period, calendar or fiscal, to permit prices to drop as low as so many people are talking. I do not think it is going to happen. I think you are going to have some adjustment of prices.

Senator Johnson: If we reduce the national debt it will reduce the money supply to that extent.

Mr. Edie: That is correct, but it will not be a one to one relationship. You will reduce the money supply only insofar as the bonds paid off are owned by the commercial banks. If you assume that they own a third or 40% of the total debt, then every time you pay off a billion of debt you are reducing the money supply by a third to four-tenths of that billion. You are not reducing it by the full billion.

Corporate Prices to Decline Slightly

"My estimate for earnings (before taxes) for all corporations net is $22 to $23 billion for 1946," said Mr. Edie. "For 1947 calendar $22½ billion. For 1948 calendar year $20.8 billion. For the 1948 fiscal year $20.3 billion."

The Banker's View of Business

(Continued from first page)

lumber, bricks, cast-iron pipe, plumbing fixtures, cotton and rayon goods, electric motors, and so on. Automobiles are being assembled at a rate close to the average for the boom year 1929.

Agricultural crops and agricultural income have been the largest in history. The service industries revived rapidly after the war. There are now some 700,000 more business concerns in this country than there were on V-J Day.

Both goods and services have been finding ready markets. The inclination to buy on the part of the public has been extraordinarily strong. Cash sales to consumers have broken all records and, in addition, sales on credit are again at peak levels. Exports of merchandise to foreign countries, a substantial part of which is on credit, have risen to more than double the prewar level. Inventories of goods in the hands of manufacturers and merchants have been built up higher than ever before.

The general price level has reached the highest point in a quarter of a century. Almost without exception, those who desire work have jobs. Wages are highest on record. The boom in real estate values has been equal to that of earlier periods in our history. Bank loans to agriculture, industry and trade are larger than they were at the peak of war activity. Thus continue the evidences of boom conditions.

Business booms are always difficult to recognize while they are with us. Our eyes seem to focus better after we get some distance beyond them. But careful observation reveals that the present situation *developed* like a boom; it *looks* like a boom; it *behaves* like a boom; it *is* a boom.

Banks' Contribution to Boom

Whether or not we wanted it so, our banking institutions have had a part in this boom. Banks now find themselves more than twice as large, as measured by total resources, as in 1940. This bank expansion came about largely as a result of government borrowing from the commercial banking system. There is no mystery involved in the process. When the Federal Government borrows from the commercial banking system, its bonds become the assets of the banks, and new deposits of similar amount come into being.

The government borrowed heavily from the commercial banking system during the period of the First World War. The total for Federal Reserve banks and commercial banks was in the neighborhood of 5 billion dollars. In the process of financing government deficits during the decade of the Thirties, the total increased to something like 20 billion dollars. Wartime expenditures caused a great acceleration in the rate of advance. It touched a peak of about 115 billions and is now a little less than 100 billions.

Largely as a result of the advance in government borrowing from the commercial banking system, we have had an extraordinary increase of liquid assets in the hands of the public. These assets include currency outside banks, bank deposits, both time and demand (less government and inter-bank deposits) and redeemable government securities in the hands of the public. The total of these assets in 1937 was about 65 billion dollars. This was approximately equal to the total at the time of the boom in 1929. At the time of the attack on Pearl Harbor, these liquid assets totalled something like 85 billion dollars. Since then, the total has expanded to about 225 billions. Notice that the increase since 1937 has been about 300%.

Since the war, there has been a decline of some 16 billion dollars in bank loans to the government, that is, bank holdings of government securities. On the other hand, the total of bank loans to business, farmers, real estate owners and consumers has established a new record in the history of American banking. Unfortunately, most of this advance does not represent business improvement; rather it is directly related to current inflationary pressure. In the first place, the 2 billion dollar rise in realty loans during 1946 is a result of the real estate boom. In the second place, the increase in consumer loans from banks of more than a billion dollars for the year is a result of the great surge of buying on the part of consumers.

In the third place, the increase of more than 4 billion dollars in loans to "commerce and industry" during 1946 also shows the influence of inflationary forces: (1) Inventories have increased in size and dollar value, bringing increased demand for bank loans. (2) The rise in the price of materials, equipment and labor has brought an increase in bank loans for working capital requirements. Also, cash balances have had to be replenished after being reduced by unexpected demands caused by shortages of materials, transportation delays and strikes. (3) With interest rates being maintained at an artificially low level, the use of bank term-loans for refunding industrial obligations has been attractive to industry. The only important anti-inflationary development in the bank loan situation since the end of the war has been the decline of about 3 billion dollars in loans on government securities.

Causes of Boom

From the point of view of American industry, the causes of the current boom are quite obvious. At the close of the war, industry and agriculture were called upon to fill three great gaps left by the war, in addition to their usual production. The first was the accumulation of unfilled consumer wants; the second was the empty or partly-empty pipe lies of trade; and the third was the demand for products from abroad in excess of usual prewar amounts of goods exported.

The task of increasing the normal volume of production to fill these gaps was undertaken with speed and enthusiasm by the American economy. The rate of production speed attained has already been pointed out. Perhaps the best general measure of the speed with which the accumulation of consumer needs has been met is the record of retail sales. A new all-time peak was reached during the first quarter of this year. Department store dollar sales during the quarter were 150% above the total for 1940. After making allowances for price advances, this is still an all-time record. The extraordinarily high volume of purchases by consumers over the past many months makes it certain that consumer supplies are being replenished rapidly. Once this is accomplished a lower volume of sales may be expected. The fact is that in recent weeks the volume of retail sales has lost its lead over that of last year. The decline is most pronounced in women's wear, jewelry, toilet goods, bedspreads, towels, upholstered furniture, curtains, small radios, and so on.

The empty pipe lines of trade are, for the most part, filled up. The present dollar total of inventories, manufacturers', wholesalers' and retailers', is estimated to be about 36 billion dollars, or about 100% above the mid-1939 total. Even after allowing for the price advance, it is obvious that inventories are now well above the 1939 total. The current rise is much less rapid than in recent months.

Export Demand

The filling of the gap between foreign demand for goods and our usual rate of exports is a more complicated problem. Total exports have been at a rate more than twice that of the prewar period. Food, clothing, machines and equipment have been among the major items. Manufacturers of products which did not sell easily in the domestic market could, with few exceptions, find ready markets abroad. Since the war, our average monthly exports of cotton have averaged 100% more than the typical prewar year 1939; for the same period, tobacco shows a gain of 67%; wheat, 200%; meat products, 470%; and motor trucks and busses, 37%.

Now the question is, how long will these exports continue? The extent of needs abroad suggests that they will continue for a long time. Capacity to pay, on the other hand, suggests a much shorter period. Imports into this country are now paying for only about one-half of our exports. The question now is the extent to which remaining dollar balances here will be utilized and the volume of additional loans and gifts which will come from this country.

It is still too early to arrive at an accurate estimate of loans and gifts for this year. On the one hand, the Lend-Lease provisions have been terminated. The Export-Import Bank, having made or earmarked 2.7 billion dollars in loans, had only 800 millions of additional funds to loan on March 31, 1947. On the other hand, there are various proposals for relief, including the President's proposal for Greece and Turkey amounting to 400 millions, Hoover's proposal for Germany and Austria amounting to 630 millions, and the State Department's request for 350 millions for more general relief. Private loans are not yet of important size. The monetary Fund thus far has received no applications for loans. The International Bank has received applications from eight countries totalling 2.3 billions. At the end of this month, it will have 700 million dollars of capital which may be loaned. Additional funds will be dependent on the sale of debentures, which market has not yet been established. The Department of Commerce has estimated that loans and gifts this year will total about 6 billion dollars, as compared with approximately 7 billions last year. But this is only a "working estimate."

There is now considerable evidence that the period of easiest foreign sales is over and that the tendency of American exports will be to resume more normal proportions. We know that various countries are trying harder than ever to conserve their dollar exchange. For example, in meeting her unfavorable balance of trade, England has found it necessay to draw on the 3.7 billion dollar credit extended by the United States Government more rapidly than originally planned. Although she expected to spread the use of the loan over a period ending with 1951, she has had to use 1.3 billion dollars during the first 10 months. In the meantime, England is trying to check dollar spending on the part of her people. The recent rise in import duty on American tobacco, making the cost of cigarettes to the English consumer the equivalent of about 68¢ a package, was a move in this direction. Also, the suggestion was made last week in the House of Commons that the British Government reduce imports of cotton where payment in U. S. dollars is required.

Price Advances

A major influence on foreign demand, as well as domestic demand, is, of course, the current trend of prices. Consumers were impatient for gods after the war was over. Their purchasing power was abundant, but there were not enough goods to go around. The OPA proved to be no match for the predominating economic forces. Under these influences, the general price level has risen to the highest point in 25 years.

Price advance brings gain to some income receivers, it is true, but it also brings losses to others. For example, for a landlord here in Knoxville, Tenn., the monthly rental income from a five-room apartment in 1940 would have bought 100 bushels of corn; today, the rental from this property would buy only 40 bushels of corn. Or, again, the annual return on a 500-dollar Government bond in 1940 would have bought a 160-pound hog; today, the yield on this bond will buy only a runt pig, weighing 30 pounds.

The pattern of the rise in prices is typical of the previous postwar period, in which a rapid price ascent was followed by a sudden turn and rapid descent. Possible causes of a turn in prices are now appearing. Prices are beginning to look "too high." Domestic consumers, for the most part, have so increased their holdings of most "soft" and semi-durable goods that delay in making further purchases is now optional for them. With accumulated deficits in consumer purchases about made up, with trade pipe lines mostly filled and with export opportunities tending to narrow, resistance to current high prices on the part of both domestic and foreign buyers is growing. Retailers' commitments for the fall are reported to be running 40-50% behind those of a year ago. As retailers reduce their orders, wholesalers feel the shock, and manufacturers also feel it. Manufacturers are in an uneasy position between rising costs and the necessity for lower prices.

Those at the head of our government are aware of the trouble in the price field, but the position taken is not conducive to an early straightening out of the situation. The government has been bringing pressure to bear on industry to reduce prices, the implication being that the cause of the price rise is in this area.

However, the real causes are to be found elsewhere. In the first place, the fundamental cause of the general inflation movement in this country is, of course, the government's program of wartime credit expansion, which brought a rise of 300% in liquid assets in the hands of the public since prewar years, while the production of goods rose only 80%.

In the second place, it is agricultural prices which have led the price advance (not industrial prices), and the government is still lending support to agricultural prices. In the third place, the rise in industrial wages (already about 74% since 1939) has been a major force causing higher industrial prices. The current rise in certain industrial wages can, in no sense, be interpreted as a price adjustment measure. High wages are a stimulant to more buying on the part of the recipient, but they make trouble for the marginal producer as consumer resistance to higher prices develops.

High prices of building materials and high wages, along with scarcity and inefficiency of labor, are having a very depressing effect on building construction. In most sections of the country, building costs are 100% more than they were in 1939. Construction to meet most urgent building needs has already been undertaken, and a decline in new contracts is now under way. Government economists have already sharply reduced their estimates for 1947.

Prompt price adjustments to new supply-demand conditions as they develop is the best way out. The free market, better than any other agency, can best determine *when* and *how much*. Adjustments in prices will mean a less spectacular rate of business activity for a time; but with these prompt adjustments, the period of business reversal will be measured in months rather than in years.

In view of this outlook for business, there are three especially important reasons why bankers must ever be on the alert. (1) As was mentioned earlier, recent loan demand was strongly influenced by inflationary developments, namely, the real estate boom, the rise in inventories, the expansion in consumer borrowing and the rise in prices necessitating larger working capital. With a moderate decline in business and prices, these sources of loans will narrow—the extent depending on local situations. (2) It must be remembered that loans made during a period of general decline in prices will require greater skill. The men who have become bank loan officers during the past eight years have had no experience in making loans during a period of general price decline. (3) Present artificially low interest rates have left little margin for risk-taking; nevertheless, it is the apparent intent of the credit authorities to keep rates low.

In many respects, the boom in business activity and the rise in prices during the war and postwar period were favorable for the banking business. But circumstances may not be so kind to us in the future. Marginal businessmen will see profits fade as business declines from the present high level. Loans which in more normal times would be good may not be good loans following a down-turn in business. In short, banking skill good enough for the war period is not going to be good enough for the period of business ahead of us.

One of our greatest needs is to place greater emphasis upon an aggressive banking policy in regular business lending. The time has long since passed when bankers need only study loan applications and say "Yes" or "No." Bank credit reflects "man's confidence in man." The banker must know his community and he must discover those individuals and firms having the basis for this confidence. Accomplishments of this nature are bank assets of great importance, particularly when the business cycle turns from good times to times less prosperous.

Thomas E. King & Co. Formed in Chicago

CHICAGO, ILL.—Announcement is made of the formation of Thomas E. King & Co., to conduct a general investment and brokerage business by Thomas E. King, formerly a partner of Hicks & Price, and Ralph M. Bloom, formerly a partner of Cayne, Robbins & Co. The new firm has taken the quarters formerly occupied by Cayne, Robbins & Co., at 39 South La Salle and all of that firm's personnel, including Roy B. Sundell and Robert K. Belt, will remain with the new firm.

The firm will maintain wire connections with C. E. de Willers & Co., in New York City and Cayne, Robbins & Co., in Cleveland.

Formation of the new firm was previously reported in the "Chonicle" of May 8.

Some Comments on the Question: 'Is the Money Supply Too Large?'

(Continued from page 3)

growth of deposits on the liability side, occurred in the ownership of government securities by the Banks, and there appeared to be a general assumption that the reason for this sharp growth in deposits was due to the monetization of the government debt.

It is certainly true that bank assets had to increase for deposits to be able to increase, but it is interesting to look at the available balance sheets of the 50 largest corporations in this country and compare their total cash on deposit at the year-end in 1936 with their cash on deposit at the year-end of 1946.

Many facts contributed to the necessity for corporations to have larger cash balances, as that 10 year period unfolded, than they thought either prudent or necessary at the beginning of that decade. One outstanding example was their very heavy accrued tax obligations at each year-end; another cause was the great growth in both their total tonnage of production and the dollar value of production.

In 1936, the aggregate total cash appearing in 45 of these 50 largest corporations was $940 MILLION, and by the end of 1946, that total for the same companies had grown to $2,333 MILLION. Are these cash corporate balances inflationary? How much of this corporate cash increase really represents enforced delay for merely ordinary renewals and replacements of equipment, impossible to procure during this decade?

How much of present balances in Bank today by individuals and corporations is expendable in the usual sense of the word, namely, for commodities, and how much of it is held, pending investment decision?

Individuals have the same need today for larger balances in Bank due not only to increased total living expenses, but also due to a prudent desire to be ready for quarterly income tax payments.

A meticulous analysis of what portion of the total deposits in Banks is for future investment as contrasted with being the type of money which is believed to be burning a hole in people's pockets until it is spent, is obviously unobtainable. Similarly, the colossal growth in outstanding circulation cannot all be considered as immediately spendable. There are no accurate figures as to the amount of currency in safe deposit boxes, and the reasons for many people's desire to own and possess in their safe deposit boxes an obligation of the government, payable to bearer, are many and obvious. To assume that all of the currency in circulation can be labeled inflationary seems to be absurd.

Everyone knows in a general way that since 1900, the automobile, the radio, most electrical household products, and literally thousands of articles today in almost universal use have all come into being during this present century. There is a direct relationship between increased volume of business and the simple tool, money, needed to effectuate the manufacture and distribution of merchandise.

To my mind, all of these subjects have to be taken into consideration before reaching any hasty conclusion that our money supply is too large.

C. BRONSON McNAIR
Hamilton, Canada

With your permission I would like to accept your invitation to comment on Dr. Bowen's thesis that the present money supply is not excessive. This invitation was given in your issue of May 1st.

To save space I will present my conclusions with a minimum of reasons. I believe that the present money supply is excessive and that the excess is one factor in causing inflation. I do not however believe that the money supply is as important as some authorities, the late Professor Irving Fisher for example, have stated it to be. There are other factors to be considered. I speak as a Canadian when I disagree with Dr. Bowen's statement in the paragraph just before his conclusion when he says "The people always are at perfect liberty to buy government securities — at good rates of interest." The return on a 3% bond after deducting income tax is petty and many people prefer to let their money lie in the Savings Banks at 1½%. Higher interest rates and lower income taxes are needed to create interest in long-term investments.

Mr. Parkinson in his address on March 6th 1947 to the New York State Chamber of Commerce (see "Chronicle" March 13th) and in his statement reported in the "Chronicle" of April 24th 1946 has shown the part played by the Banks in expanding the money supply and the same thing can happen in Canada. Now that the Governments of the United States and Canada have publicly announced a policy of reducing the war debts and in this way reducing the money supply pumped out (of necessity) during the war, the Banks should refrain from expanding the money supply as the two governments take steps to reduce it. The Banks should do this voluntarily or under pressure of public opinion. Mr. Parkinson's remark on page 1413 of the "Chronicle" issued on March 13th 1946 to the effect that the Banks do not appraise the effect on the general public welfare of an addition to the money supply deserves special attention. Mr. Parkinson says "business is people" and he has introduced a factor here that I believe is not receiving nearly enough attention. In 1919 aviation was expanding, new ideas for business were plentiful and a "brave new world 1919 style" was much spoken of and written about because the world was "safe for Democracy." But Germany was beaten and reparation had to be paid and the outlook for German youth was bleak. Depressed and disgruntled German youth said "what is the use of this fine new civilization if we cannot have our share in it" and turned to Hitler for leadership. What Hitler and the German youth did to the world is painfully recent history. Today while Canadians and Americans are sleeping on cots and chesterfields in inadequate housing and $5,000 houses cost $10,000 we see $10,000,000 airplanes, luxury liners and hotels, fabulous expense accounts and high salaries, hundreds of millions being poured into United Nations and gross extravagance the order of the day in Government and Corporation spending, while the average Americans and Canadians still carry nickels and coppers to make change for their daily needs. What must we do if these average people say "This situation is not acceptable to us. What is this glittering civilization worth if we cannot have our share in it?" This brings us to Dr. Bossard's excellent address reported in the "Chronicle" of April 24th. I strongly suggest that when our economists, bankers, Government experts and planners sit down for a Conference, a sociologist should be present to introduce human values, without which the best of plans may be upset. Mr. Parkinson's reference to "public welfare" is a signpost which should not be ignored.

There is a force which man creates but does not control which again may cure our ills, set us on our feet, give us a pat on the back and say "Go ahead little stumblebums. You get another chance." Let us go back to the days of the stage-coach and the sailing ships. The coming of the steamboat and steam train increased the velocity of the turnover of goods and services to such an extent that an expanding economy completely dwarfed the debts and problems of the stage-coach days. As we cross the supersonic barrier in speed and stand on the threshold of the power house of cosmic rays and atomic energy the Law of Probabilities gives us faith to believe that an expanding economy will again spare us the necessity of really knuckling down to solve the problems of our time. However the fact that so many able men are wrestling with these problems even if we have not achieved unanimity is encouraging and nothing will be lost which adds to the sum total of man's knowledge. Let us hope that we will collectively be endowed with wisdom to apply the lessons of the past and to grasp and solve the problems of the present and the immediate future and that human values will be accorded the consideration they deserve. Let us be humble because reading the "Chronicle" shows clearly that we have a lot to learn before we achieve omniscience.

FRANK CIST
Delray Beach, Florida

"The Chronicle" of May 1 asks comment on a startling article, "Is the Money Supply Too Large?," in which the author, Dr. H. R. Bowen, economist for The Irving Trust Co., tells us not to worry. His arguments are three.

Frank Cist

(1) To disprove that recent tripling of our money supply tends to triple prices he shows that a rise of eight times in the supply of money, between the years 1880 and 1915—from an index of 5 to one of 40—had no effect on prices, which were the same (at an index of 68) in the latter as the former year.

Answer: These figures, which are accepted along with his others for the purpose of the present argument, suffice to disprove any rigid relationship between the quantity of money and general prices over any long period of time and demand some restatement of the theory; but they do not prove, nor, I am sure, would Dr. Bowen try to argue, that **at any given time** we cannot have an excess of money such as to force prices up, and hence beg the question of whether or not such an excess exists at the present time.

(2) In order to prove that we have no such excess he next argues that civilization, as it advances and becomes more complex, needs more and more money for each dollar of its increasing national income, and he produces figures to show that although in 1870 our money supply (deposits plus currency) was only 20% of our national income, it had risen to 50% by 1900 and to 80% by 1940. The average rate of increase he concludes to be 1¾% and by projecting this trend he reaches the conclusion that today we need an amount of money equal to 95% of our national income or, with $167 billions in money and $176 billions in income, exactly what we have.

Answer: But then you could never have too much money so long as prices and wages rose as fast as money increased. For, assuming a proper ratio between money and national income at the start, this ratio would continue unchanged. Accordingly Dr. Bowen's charts show:

(1) That, during the inflationary period between our two wars, we had too much money only at the bottom of our depressions (1921 and also 1932 when the monetary supply rose to 100% of national income);

(2) That we had too little money only at the peaks of our booms (in 1919 and 1929) when our national income, it had risen and speculation, either commodity (in 1919) or stock market (1929), was rampant.

A rule that shows too much money only at the bottom of depressions and too little money only at the peak of booms is not a safe rule. We should not have to wait until our present boom production falls off as boom demand subsides to find out that our monetary supply is excessive. The sound norm, in other words, is not "mere" national income, which can vary cyclically, but **sound** national income, quite a different thing.

That is where the gold standard should come in, controlling both production of money and of goods by "sound" demand. Had the gold standard not been overdiluted in 1929, had it been allowed to operate normally, we would never have had so severe a depression. (See my article on the Gold Standard in the "Chronicle" of May 13, 1943.) The oversupply of money would have been curtailed far earlier.

(3) Dr. Bowen also insists that the need and want of the country for the present quantity of money is proved by the fact that depositors keep their money on deposit instead of wiping it out by purchase of government bonds from the banks.

Answer: This proves that the public does not want a lot more low yield bonds, but it scarcely proves that they do actively want the present excess of money. Suppose the money supply had been multiplied by 50 instead of three, would Dr. Bowen still insist that there was no excess so long as the public refused to buy bonds with it? Almost any "bond" inflation could be justified on that argument.

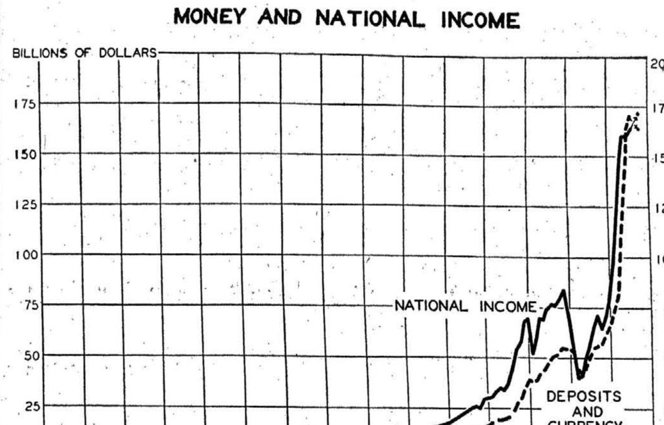
* * *

There is danger in lulling ourselves into false security about inflation. With storm warnings up abroad, prudence demands we get ourselves into sound financial condition. Also to a degree not generally recognized our ammunition against inflation is used up. The Federal Government in two years has converted a deficit of $53.9 billions into what Republicans estimate to be a surplus of $4 billions. Federal contribution to employment, in other words, has been reduced in two years by $55 billions.

This deflationary pressure is not cumulative. Once these unemployed are reabsorbed—as most of them have been—into private industry, then budget cuts which threw them out of work no longer exert any deflationary pressure and either new cuts must be made or new taxes—for debt reduction—must be imposed. But to do either is politically difficult. With the Federal Reserve comparatively impotent to raise interest rates our ammunition seems about spent.

On these arguments Dr. Bowen's article tends toward a false sense of security and a false sense of security has peculiar dangers at the present time.

MONEY AND NATIONAL INCOME



L. ALBERT HAHN

Basically, I agree with Dr Bowen's views. Money not spent is not inflationary nor is it always an inflationary threat. What makes it so is its combination with an easy money policy (plus an easy debt policy).

Photo: H. N. Rubien
Dr. L. Albert Hahn

If people would see fit to indulge in an orgy of spending and investing—with other words, under real boom conditions — a policy of money stringency would be able to control inflation at least to a certain degree. Such a policy would tend to diminish the spending and investment spread. With permanently low interest rates there would be no force counteracting the peoples wish to spend and invest their money—and, incidentally—credits that could be created through the banking system.

What is wrong with our currency system is not just the huge amount of money in the hand of the public, but the extreme elasticity of the supply of money in general, if and when a strong demand of money for spending and investment purposes should develop.

World Bank Grants First Loan to France

(Continued from page 17)

Credit National pour faciliter la Réparation des Dommages causes par la Guerre, and to be guaranteed by the Republic of France.

The Borrower: The Credit National is a semi-public corporation created in 1919, mainly to assist in financing the reconstruction and development of the French economy. Its original capital was subscribed by banks and industrial corporations. The stockholders elect its Board of Directors (subject to veto by the Minister of Finance). The Board includes leading industrialists and bankers. The General Manager (who is also the Chairman of the Board), as well as two executive managers, are appointed by decree of the President of France.

The Credit National will draw on the loan to pay for the import of specific materials and equipment, in accordance with the specific authorization delivered by the French Exchange Control Office. It will receive the countervalue in francs of such payments and use it to finance the reconstruction of the French economy.

The Justification for the Loan: The Bank's scrutiny of the application for this loan was guided by its policies to give first consideration to the most urgent requirements, whether for reconstruction or development; to supply funds for these purposes that private capital is not now willing or able to furnish; to insure that its funds are used productively and to satisfy itself on the prospects of repayment. In this approach, the Bank has been faced with two basic issues:

(a) The need for the loan.

(b) The recovery prospects of France.

The Need for the Loan: The first consideration was the need for the loan. This was examined in the light of:

(a) The need of France for financial assistance.

(b) The importance to the rest of Europe of economic recovery in France.

France's Need of Foreign Exchange: France's need for the loan arises directly from the still inadequate recovery of its exports and from the insufficiency of other means at its disposal for the purchase and import of materials and equipment essential to economic rehabilitation.

The French economy was seriously weakened by the cumulative effect of the wars of 1914-18 and of 1939-45; by heavy expenditure for defense between the two wars and by the low rate of expenditure on the replacement and modernization of industrial equipment in the 1930's.

At the time of the country's liberation, its productive capacity was, on an average, about 20% smaller than before the war, and much of its remaining equipment was in need of replacement. Further, under the occupation, the country had been denuded of its stocks of raw materials—its working capital. Industrial production was barely one-third of the prewar rate and exports—the main source of foreign exchange for the purchase of imports—were virtually suspended.

The country was thus faced with the task of restoring production from its existing equipment and, in order to re-create prosperity, with the modernization of its equipment and methods. This involved heavy imports of materials and equipment and, pending the restoration of food production, of cereals and other foods.

By the end of 1946, the volume of production had been restored to about 90% of the level of 1938 and the volume of exports to 75%. This expansion in production and exports was achieved, apart from internal efforts, only by heavy imports of essential materials and equipment. Exports, though increasing, have fallen far short of providing the foreign exchange for the purchase of necessary imports. Hence, the country was compelled to draw heavily on the gold and foreign assets at its disposal and to raise loans abroad. The official gold and "hard" currency holdings were reduced from the equivalent of $2,614 million at the liberation to about $1,000 million at the end of 1946. In 1946, a beginning was made with the requisitioning and liquidation of French-owned foreign balances and investments. In addition, since its liberation, France has borrowed abroad the equivalent of $2,600 million, mainly in the United States.

According to official French estimates, the income of foreign exchange from experts; from the liquidation of private balances and investments abroad; from the proceeds of existing loans and from other sources, is expected to fall below the expenditures on imports of essential goods and services by $540 million in 1947, $428 million in 1948 and $198 million in 1949. Even these figures assume the liquidation of the greater part of declared privately held foreign balances and investments. By 1950, France expects to restore equilibrium in the transactions of the franc area with the rest of the world.

The estimates of the gap between the income and expenditure of foreign exchange during 1947-49 are, of course, based on a series of assumptions that may be modified by actual experience. But the gap exists and it is a serious one.

In other words, France needs the proposed loan of $250 million if the country is to have the opportunity this year to finance imports essential to the expansion of domestic production and the modernization of its industry and agriculture.

The Importance of Economic Recovery in France: Because of its size and productive capacity, France is pivotal in western Europe. The economic rehabilitation of France will speed the recovery of surrounding countries and, through an expansion in trade, be beneficial to the rest of the world.

First, by reason of an expansion in production, France will be able to supply part of the needs of surrounding countries and to provide a market for part of their exports. France could do much to carry forward the process of industrial integration in Europe that is essential if maximum production and rising living standards are to be achieved on that Continent.

Secondly, in contributing to the rehabilitation of surrounding countries, economic recovery in France will indirectly benefit the rest of the world. Before the war, in 1938, Continental Europe imported approximately 32% of the exports of the rest of the world, and supplied 26% of the imports. At the same time, French imports were equivalent to 17% of Continental European imports from all sources, while its exports totaled 15% of Continental European exports to all other countries. At present France and other countries in Europe depend on American and other foreign loans and credits to finance a substantial proportion of their imports. Equilibrium can only be restored by an expansion in European exports and this is conditional on an increase in production.

The Recovery Prospects of France

The Need to Expand Production: While the need for the loan arises from the fact that exports and other means at the disposal of France are still inadequate to pay for necessary imports, its ultimate purpose will be served only if France succeeds in carrying out the present Government's policy of economic rehabilitation. The pre-requisite of recovery is expansion of production.

The Rapport General sur le Premier Plan de Modernisation et Equipment adopted by the French Government in January, 1947, is designed to rally all classes of the French people in a common effort to rehabilitate the French economy. Its ultimate objective is to achieve an increase in the production of per capita wealth, thus improving the standard of living and, by increasing exports, restoring equilibrium to the French balance of payments.

Although the program fixes definite production targets for the major industries—the level of national production is to be raised to the 1938 level this year and 30% above that level by 1950—it may be regarded as a policy rather than as a rigid series of production targets.

The program envisages the investment of the equivalent of some $18,900 million during the four years 1947-50. Of the total, about $800 million is destined for investment in overseas territories. As much as 84% of this proposed investment expenditure is expected to come from domestic resources—that is, from the savings of the French people and of corporate enterprises. This is equivalent, according to French calculations, to about one-fifth of the estimated net resources available for domestic utilization (total domestic production, plus imports, less exports and maintenance expenditure). It is clear, therefore, that the successful achievement of this program will depend mainly on the efforts and self-discipline of the French people. Of the remaining 16% of the proposed investment it is contemplated that nearly three-quarters (11½%) will be financed from the sale of foreign assets and loans already obtained, and one-quarter (4½%) from new loans and credits.

While the policy of modernizing the French economy adopted by the Government is an indication of the will of France to recover, the goals will not be easy to reach and then only by vigorous effort on the part of the whole nation.

The proposal to set aside for investment one-fifth of the country's available resources demands a degree of high austerity on the part of the French people. The program assumes a volume of import of coal and other materials that may not be forthcoming in full. The steel production target for 1947 has already been reduced.

The Need to Arrest Inflation: The French Government in its National Recovery Plan, recognizes the need for the restoration of confidence in the country's finances. It also recognizes that firmness is necessary to face the problem squarely, and that, psychologically, the most important point of attack is the national budget. Last year the current expenditure of the French Government, estimated at 573,000 million francs ($4.815 million), exceeded revenue by 153,000 million francs ($1,285 million). The ordinary budget for 1947 has been under consideration for several months and the Government has stated that it expects to balance it. The Government fully realizes that, unless the budget is balanced, the lack of confidence in the country's finances would continue and the difficulties in the way of securing anything like one-fifth of the national resources for purpose of investment would be seriously increased.

The Bank, referring only to economic matters, is fully aware of the uncertainties facing France, the difficulties of expanding production, of improving the country's finances and of balancing the accounts with foreign countries in the present circumstances. These difficulties are the result of the developments in the past thirty years and cannot be overcome in a few years. Some of the factors impeding recovery, such as the low level of coal imports, are beyond the control of France. Where France has had the opportunity to speed recovery, in the rehabilitation of transport after liberation in the expansion of the production of coal, electricity, textiles and other products, considerable success has been achieved. The plan for the modernization of the country's industries and agriculture is further evidence of the will of the French people to recover which, in the final analysis, is the justification for the loan.

The President of the Bank has stated to the French authorities that, although the Bank is not now prepared to make any commitments with regard to a further loan, it will be willing to consider an additional application from France later this year. Any new application will be considered in the light of the funds which the Bank will then have available for lending and of the progress made in carrying out the French economic and recovery program.

Significance of French Loan

(Continued from page 17)

country to country. It is, however, a matter which touches on prestige and one therefore delicate to handle.

Under constant annuity, interest and amortization of the French loan would amount during the first 15 years to $196,000,000, but because of the five year period of grace and the fact that the amortization is graduated, the burden on France will be only $156,000,000. Amortization payments start only on Nov. 1, 1952.

The Bank's interest charges to borrowers depending on what the Bank itself must pay, assuming that the Bank finds itself able to borrow at lower cost than now expected, there would seem to be nothing to stop France from asking for an adjustment of the present contract as to interest. But there is no agreement on this matter, and probably the question is academic anyway.

About one-third of the present loan will be used for capital goods, most of which it is said the French already had foresightedly ordered in advance of the loan's signing. There is therefore little likelihood that delays in getting deliveries will interfere with the rapid exhaustion of this credit this year. In a single 12-month period France has spent in the U. S. A. more than $1,000,000,000.

Since France is not getting all that it has stated to the Bank is essential to balance its international payments in 1947, it has the alternative of cutting down planned imports or using some of its gold stock. Indications are that it will do the latter. France's gold stock approximates $1 billion.

In some quarters the failure of the World Bank to obtain France's agreement to inclusion in the loan contract of a strong clause governing supervision is regarded as a defeat for one important "safeguard" of the Bank repeatedly and reassuringly described to the Congress and the public at the time of the Bretton Woods legislation. Since the text of the French loan contract has not been made public, this "commentator" is under a handicap. However, he has been told that the "weak clause" in the French contract here under discussion merely calls for submission of information to the Bank—much as do similar clauses in Export-Import Bank contracts—and does not permit what the Bank management sought from the French negotiators: access to full, detailed information whenever desired and to go into France and "look at the books."

Doubt Expressed Over Purposes

The French loan of the World Bank, like the earlier Export-Import loan, is supposed to carry out the five-year reconstruction and development plan popularly known as the "Monnet Plan." Not everyone here takes that plan at face value. One observer describes it as "a facade," meant mainly for American consumption, and states that the World Bank loan signed this month and the next loan to France perhaps later this year are simply balance-of-payments financing of ordinary current imports. Both because of France's internal political situation and on economic grounds the French loan is by that observer described as decidedly more risky than various other loan projects now under consideration at the Bank; and it is further pointed out that France is already indebted to the outside world to the equivalent of almost $3 billions. This sum includes $1.2 billions to the Export-Import; $720,000,000 for Lend-Lease Settlement, Surplus-Property, and North African accounts; $250,000,000 to the World Bank; $400,000,000 to the UK; and $242,500,000 to Canada; an imposing total for France to shoulder. Moreover, it is believed that France will continue to seek not less than a billion dollars a year for some time to come.

The investment market in buying World Bank bonds will want to know as much as possible about the conditions placed by the Bank on the loans made by it. And it will want to learn all it can about the Bank's policies. Some insurance spokesmen already have asked the Bank this embarrassing question: Suppose that, having sold a large amount of long-term bonds of, say, 25 years maturity, the World Bank offers investors a 10-year bond? What does that do to the security of the earlier issues?

What answer was given to this question the writer has not yet learned.

Talk of limiting the World Bank's operations to the amount of the American and Canadian subscriptions has been discussed in these columns on earlier occasions.* Those who have looked upon such limitation as desirable are now commencing to question the value of including the Canadian liability, in view of the deterioration of Canada's balance-of-payments position.

In any case, all signs indicate that the Bank is to play a much smaller role in this postwar recovery period than the $3 to $5 billions which many at Bretton Woods thought it would lend in its first year! Nor was it expected that its first loan would be made only 21 months after the end of the war with Japan. Some people are saying it is a case of "too little and too late"; and that this is why the Administration is now —as in Under Secretary of State Dean Acheson's Mississippi address of May 8 — laying the groundwork for "Neo-Lend-Lease," Lend-Lease in peacetime. They are saying, as the Congress passes the Greek-Turkish loan and cements the Truman Doctrine into American official policy, that the United States faces a world economic and political crisis more critical than the situation on VE-Day, and will have to finance it alone, rather than through the World Bank.

*See "Chronicle" April 3, 1947, p. 5, and May 8, p. 9. Also compare discussion in the May 1947 letter of the National City Bank of New York, p. 58, col. 1.

With reference to incorporating safeguards in the World Bank's loans, see also in the same National City Bank Letter on pp. 57-8 the discussion headed "Protection for the Investor."

Money Management and Bank Investments

(Continued from page 11)

eral Reserve Act created for the first time a Board which was entrusted with discretionary powers over credit and charged with responsibility to use these discretionary powers for the broad welfare of the nation. From that time on, money management had flexibility. It depended not simply upon the general framework of banking laws and regulations, but upon the changing discretionary policies of the Federal Reserve System.

During the 23 peacetime years from the end of World War I down to our involvement in World War II, the avowed overall objective of Federal Reserve monetary policy was to contribute to the economic well-being of the United States. The Federal Reserve Board was at all times attempting, sometimes ineffectively, to be sure, but nevertheless attempting to regulate the volume of bank credit, the level of interest rates and the availability of bank credit in accordance with the needs of the economy as a whole.

Federal Reserve Has Altered Money Management

Since 1942, however, the character of money management has been revolutionized:

First, the huge expansion of the public debt means that Treasury financing policies now inevitably are a major influence upon credit conditions and interest rates. Monetary management is no longer the exclusive domain of the Federal Reserve Board nor can it be for many years to come.

Secondly, the cost of the carrying charges on the public debt has increased to roughly $5 billion a year. Whether for better or for worse, this fact is bound to have an enormous influence upon the formulation of monetary policy now and in the future.

Thirdly, millions of individuals throughout the country are now owners of $50 billion of U. S. Savings Bonds which are, for all practical purposes, demand obligations of the Treasury Department. No one knows what the holders of these savings bonds would do if prices of marketable Treasury Bonds were permitted to decline appreciably. We can be quite sure, however, that the monetary authorities are not eager to find out what would happen.

As a result of these three revolutionary changes, low interest rates for Treasury borrowing have now become the dominant factor in monetary management, replacing the former primary objective of economic welfare. From the standpoint of the Washington policy makers today, the public debt is the outstanding consideration in the determination of monetary policy.

Chances of Change in Policy

But this, of course, is not the entire picture. What are the chances that a different President, a different Secretary of the Treasury and a different Chairman of the Federal Reserve Board may have a different attitude toward money rates?

There are those who argue that monetary policy should be directed toward reducing the inflated money supply. Such a policy would mean abandonment, or at least modification, of the present low interest rate policy. It is also contended that low interest rates may in the long run have other serious consequences, specifically the possible destruction of the incentive to save.

Unquestionably there is merit to some of the points made by these critics. The practical problem, however, from the standpoint of bank investment policy, is whether these arguments will someday seem convincing and compelling, not just to certain bankers and economists, but to the monetary authorities, the men at the controls. Unless we approach the problem from this standpoint, we are in danger of being led astray by wishful thinking or by flights of oratorical rhetoric.

Let us forget for a moment, therefore, that we are private bankers and assume that we are officials of the Federal Reserve Board and at the same time officials of the Treasury Department. In other words, let us look at this problem through the eyes of those who are charged with responsibility for managing a debt of some $250 billion of which $50 billion consists of Savings Bonds which are redeemable practically on demand. Let us bear in mind also that the annual interest charges on this debt amount to $5 billion a year.

First, what about the proposition that the money supply should be forced to contract in order to reduce its inflationary possibilities?

For one thing, we know that this inflationary potential did not explode in 1946 despite the fact that conditions were ideal for setting it off. Prices rose, to be sure, but private expenditures came chiefly from current income and from new borrowing, only to a small extent from savings. There was no mad rush to exchange money for goods.

Secondly, we know that the relationship between commodity prices and the volume of money is by no means automatic. We know that there have been periods when these two factors have moved in *opposite* directions. Even when they have moved in the same direction we know that the change in the volume of money has often been largely a result, not a causative factor. We know that inflationary developments in this country have usually been financed by new borrowing on the spot at the time, not by accumulated idle cash.

As officials of the Treasury Department, therefore, might we not be tempted to believe that the inflationary dangers inherent in the money supply may not be as crucial as some contend?

In addition, as Treasury officials we would not be inclined to think of the so-called inflationary potential as consisting simply of bank deposits. We would be very much aware that holdings of Government securities are readily convertible into cash either by sale or redemption. The total inflationary potential should be thought of in terms of the public's holdings of total liquid assets, including Government securities as well as currency and bank deposits.

Shifting of Liquid Assets

The problem, therefore, as we would view it in the Treasury Department, would be whether the total liquid assets of the public can be reduced. Merely to shift Government securities from banks to non-bank investors, thereby reducing bank deposits, might have comparatively little meaning with respect to the potential threat of inflation.

Now the only way whereby total liquid assets, the total inflationary potential, can be effectively reduced is by reducing the public debt. As Treasury officials, we would certainly urge reduction of the debt, especially at a time like the present when business is booming. But as residents of Washington, D. C. we would also realize that the reduction of the debt will be a very gradual process at best. In other words, we would conclude that the total liquid assets of the public are bound to remain large for many years and that this will be the case even if we were to permit a rise in interest rates.

Interest Rates

What about the possibility that low interest rates may destroy people's incentive to save? Well, we know that interest rates have been low now for a considerable number of years and yet the savings of the people have continued to increase at a rapid rate. There is little or no indication as yet of any reduced incentive to save. Don't you imagine that, as Treasury officials, we might be rather impressed by this fact and perhaps not too much worried about the possibility that this trend might possibly be reversed at some future date?

In short, as officials of the Treasury in 1947 or in 1950 or in 1955, whether our interest cost is $5 billion a year or only a paltry $4 billion a year, whether the debt we must manage is $250 billion or only a measly $200 billion, would we not be rather strongly inclined to see the virtues rather than the dangers of low interest rates?

It would seem, then, that it is highly probable that no administration in Washington will wish to abandon a policy of low interest rates for many years to come. It is significant that every major central bank in the world today is following a low interest rate policy. Easy money is not simply a passing fancy of certain Washington officials; it is a universal worldwide phenomenon.

Moreover, the past several years have provided a convincing demonstration of the powers of the monetary authorities over interest rates and bond prices. Despite an unprecedented expansion of Treasury borrowing, interest rates are actually lower today than before the war. There can be little doubt as to the ability of the monetary authorities to keep rates low.

A Bank's Investment Policy

What do all of these considerations add up to in terms of bank investment policies?

First, a bank's investment policy today should not be based upon the assumption that interest rates are likely to be substantially higher within the next few years. Excessive concentration of the investment portfolio of the average bank in short-term maturities is unnecessary and is not warranted by the economic and political facts of life as they exist today.

Secondly, now that income from securities comprises such an important part of the earnings of the average bank, the banker must today think of investments primarily in terms of income, not in terms of market quotations or price appreciation. The days of easy profits in the bond portfolio are gone. The days of the importance of income from investments are here and will remain with us for a long time. The reduction of income resulting from taking profits will be increasingly difficult to replace in the future. Generally speaking, profit taking in Governments should be confined to issues due within five years.

Thirdly, since income from investments will remain important, many bankers should today be giving careful thought not only to their present earnings position but also to what the future earnings position of their institutions will be several years from now. If interest rates remain at present levels, income from securities for many banks will tend to decline as their present holdings mature and as reinvestment is made at lower yields than they are receiving on their present holdings. This consideration applies especially to banks which are heavily concentrated in short-term maturities and to banks whose loan portfolios are relatively small. Certain banks, of course, may experience sufficient increase in their income from loans to offset the tendency of investment income to decline. Other banks, however, should plan to hold sufficient medium and long-term securities to protect their future earnings position against the probability that interest rates will remain at or near present levels.

Finally, although interest rates will probably remain low, no one can foresee with absolute assurance what interest rates will be a number of years from now. Bankers, obviously, cannot bet too heavily that interest rates definitely will remain low. They cannot for a moment afford an investment position which might conceivably jeopardize the safety of their institutions in the event that the unexpected should occur. Moreover, even with our new streamlined 1947 model of money management, we have seen that the Government bond market can fluctuate over a range of a number of points even within the short period of a few months time. It is important to bear in mind that prices of bank-eligible bonds of medium and long maturity can fluctuate over a fairly wide range without endangering the Treasury's ability to borrow at low interest rates and without affecting the interest charges on the public debt. It is clear that every bank should plan to hold sufficient short-term securities to provide for any demands for funds that may arise.

Near Term Outlook for Government Bonds

All of the foregoing relate to over-all, long-range investment plans. What about the nearer term outlook for the Government bond market? We have all heard considerable discussion about the proposed "defrosting" of rates on Treasury bills and certificates. Many persons believe that the rate on Treasury bills may be unpegged sometime in the near future but it is not generally expected that the unpegging of the bill rate alone would have any appreciable effect upon the market.

Unpegging the certificate rate would be something else again. Permitting the rate on certificates to rise could be an effective means of preventing bond prices from rising or of causing the market to decline. The events of the past month or so suggest that the monetary authorities do not wish to see the market run away on the up-side. But there are also good reasons to believe that the authorities do not wish to see any substantial decline in the market. The chances are that if the certificate rate is eventually permitted to rise, the monetary authorities will proceed with great caution in order to avoid causing any major unsettlement of the market.

To summarize briefly: We have seen that monetary management has today become the most important factor to consider in appraising the outlook for interest rates and the bond market. Monetary and fiscal policies also directly affect bank deposits, bank investments and bank earnings. Monetary management as such is not new but the character of monetary management has been revolutionized during the past several years. The tremendous magnitude of the public debt and of the interest charges on that debt are bound to loom large in the thinking of the money managers for years to come. These facts, therefore, should loom large in our own thinking in formulating the investment policies of our institutions.

With Richey and Baikie

SANTA CRUZ, CALIF.—Clifford O. Kelly has been added to the staff of Richey & Baike, 60 Pacific Avenue.

Business Man's Bookshelf

Disciplinary Clauses in Union Contracts—Francis Odell—Circular 13, Industrial Relations Section, California Institute of Technology, Pasadena 4, Calif.—Paper—Single copies complimentary, quantity prices on request.

Social Security—Selected List of References on Unemployment, Old Age and Survivors, and Health Insurance—Industrial Relations Section, Department of Economics and Social Institutions, Princeton University, Princeton, N. J.—Paper—75c.

Depreciation Policy and the Postwar Price Level — Machinery and Allied Products Institute, 120 South LaSalle Street, Chicago 3, Ill.—Paper—25c (lower rate on quantity orders).

Emil Schram Urges Participation in N. Y. Fund Campaign

Speaking before a group of New York financial leaders, Emil Schram, President of the New York Stock Exchange, May 6 pointed out that "contributors to the Greater New York Fund can be assured that their gifts will be equitably distributed among local hospitals, health and welfare agencies."

Mr. Schram was the principal speaker at a luncheon at the Bankers Club, 120 Broadway, attended by members of the Fund's committee for solicitation of member firms of the Stock Exchange. Maynard C. Ivison, partner in Abbott, Proctor & Paine, Chairman of the Committee, presided at the meeting. Frederick M. Warburg, partner in Kuhn, Loeb & Company, who is Campaign Chairman, also spoke.

"I am proud of the record of Wall Street in supporting previous campaigns of the Greater New York Fund," Mr. Schram said. "I have always felt well compensated for any help I have been able to give in the Fund's campaigns. It is a great satisfaction to support an organization which in turn benefits 423 agencies and institutions which serve our entire community."

Speaking as leader of the Fund's 10th Annual Campaign which is now underway, Mr. Warburg urged full support of the Fund by business organizations and employee groups.

T. Jerrold Bryce, partner, Clark, Dodge & Co., who heads the Greater New York Fund's committee for the solicitation of Manhattan exchanges was a guest at the luncheon. James F. Burns, Jr., partner of Harris, Upham & Co., and President of the Association of Stock Exchange firms also attended the luncheon. Mr. Burns heads the Fund's Stock Exchange Solicitation Committee. Alexander C. Nagle, President of the First National Bank of the City of New York, is Chairman for the entire field of finance and insurance in Manhattan.

In its 1947 campaign, the Fund seeks at least $6,000,000 from New York business concerns and employee groups, including organized labor. This amount is the business community's share of the $32,300,000 needed in contributions to meet the current operating expenses of the 423 hospitals, health and welfare agencies which share in the Fund. These agencies annually serve some 2,700,000 New Yorkers without regard to race or creed.

Belgium's Remarkable Recovery

(Continued from first page)

dealt with. There are still shortages of all kinds in Belgium, there is the dangerous upward trend of prices, jeopardizing Belgian exports, there is the lowering of efficiency on part of the Belgian worker. But there is also deep understanding of economic problems on part of Belgian Government officials, there is good will on part of the political parties to collaborate for the good of the country, there is much common sense on the part of employers and workers' unions, who prefer to sit down and discuss pending problems peacefully instead of plunging the country into a period of social conflicts.

Today, the Belgian market is abundantly supplied with all kinds of goods, the food situation is almost back to normal and government rationing is increasingly abolished. Production in many industries exceeds the prewar level considerably, especially in the iron and steel industry, in the textile industries and in the chemical plants. Production of electrical power is one-third higher than prewar. On the other hand, coal production is 10 to 15% behind prewar, the output in construction materials is still insufficient and the important Belgian glass industry is only slowly recovering. One obstacle to the rapid increase in industrial production is the shortage of manpower. Belgium today has virtually no unemployment — only 40,000 unemployed are listed by the government services — but has an increasingly felt shortage of manpower, due to the lower efficiency of the individual worker. Belgium's industrial equipment is partly overaged and must be replaced and modernized to bring Belgian industrial production up to the standard of its competitors on the world markets.

However, this visitor, who discussed the problems of Belgium's recovery with many Belgian political and economic leaders, has no doubt that these remaining impediments to recovery will be overcome as successfully as the more dangerous financial and economic problems of the immediate postwar period have already been liquidated. The Belgians built their recovery on sound financial and monetary bases and they are now harvesting the fruits of former Minister of Finance Camille Gutt's daring anti-inflation policy.

The Attack on Inflation

When the Belgian Government-in-exile returned to their homeland from London in September 1944, they found the country in a stage of advanced monetary inflation. Production had come to a standstill and goods were extremely short but banknote circulation, due to the expenses of the occupation power, had climbed up from Bfrs. 22,000,000,000 in the average 1936-1938 to Bfrs. 101,-000,000,000 at the beginning of October 1944. Prices were almost three times as high as before the war, while the wage index was only at 182 (1938=100). Belgium, at the time of the liberation, was a country with extremely dangerous potentialities.

But Minister of Finance Gutt, in accordance with his colleagues, had no hesitation to impose on a suffering country the new hardship of a deflationary policy. This was actually a surgical intervention, daring and skillful at the same time, but even the opponents of Mr. Gutt's policy admit today that it has been an almost complete success.

Mr. Gutt's plan consisted of two stages: to immobilize temporarily the existing means of payment and to release progressively portions of the frozen accounts parallel to the resumption of the country's economic recovery. With this operation, banknote circulation was reduced to approximately one-fourth of its former level, to be increased successively and to be stabilized at three-quarters of the October 1944 level. Since January 1946 Belgian banknote circulation has fluctuated around Bfrs. 71-72,000,000,000. However, due to the extreme shortage of goods at the moment of the liberation, Belgian prices have not reacted in the sense expected by the financial experts. The Belgian price level has remained high and is now again more than three times as high as before the war.

The new increase in circulation was probably more rapid than Mr. Gutt expected originally. But, at this moment, it was impossible to balance the budget without asking credits from the Bank of Belgium. The 1945 budget had a deficit of Bfrs. 34,719,000,000 and the debt of the Belgian State toward the National Bank has now run up to Bfrs. 48,000,000,000. The total public debt of the Belgian State increased from 1938: Bfrs. 56,500,-000,000 to Feb. 1947: Bfrs. 260,600,-000,000. However, the per capita debt for Belgium is much lower than that of the United States and Great Britain.

Ordinary Budget Balanced

"Moreover," Minister of Finance Gaston Eyskens, Mr. Gutt's successor, told this correspondent, "the Belgian financial situation has basically so much improved that the deficit of 1946 could be already reduced to Bfrs. 10,637,000,-000 while, in 1947, the ordinary budget will be completely balanced. There will be an extraordinary budget of Bfrs. 3,500,000,000 to Bfrs. 4,000,000,000 which is not covered by regular receipts. But these amounts are almost exclusively used for long-range investment purposes and it is, therefore, a sound policy to finance the extraordinary expenses by means of domestic loans. We need no foreign loans presently nor will we ask new credits from the National Bank. On the contrary, we intend to consolidate the floating debt and to reduce the total of the public debt from Bfrs. 260,000,-000,000 to Bfrs. 220,000,000,000 during the current year. We will, at the same time, reduce direct taxation by almost Bfrs. 5,000,-000,000 and are carrying out a program of budgetary economies, aimed at reducing government expenses by 10%. Twenty per cent of the public officials will be dismissed in order to reduce high personnel expenditure."

Belgian Franc Stabilized

Mr. Eyskens' financial policy has been approved by Government and Parliament and has greatly increased confidence in Belgium's economic future. The Belgian franc has been stabilized for many months now and the discount of approximately 20% on the "free market" is rapidly disappearing. This is new proof that the only efficient means for destroying the "black market" are a sound financial policy and an abundant supply of goods.

Belgium's successful financial policy has been complemented by a policy replenishing the domestic market with goods either by means of increased production or by means of stimulating imports. Here again the Belgian economic policy has been daring and successful at the same time and has been well adapted to the psychological conditions of the postwar period.

De-Control

The methods of Belgium's economic recovery have been particularly well explained in a recent address by Baron Snoy, Secretary General of the Ministry of Economic Affairs, to the Brussels Society of Political Economy:

"We understood from the beginning," Baron Snoy told his audience, "that, although the immediate post-liberation period would be one of strict government controls over production, foreign trade and distribution of short supplies, our aim had to be the liberation of the country's economy from government control and supervision at the earliest possible moment. Already on March 27, 1945 we began carrying out a policy of reducing the number of goods on the government control list. Some of the abrogations of government controls proved to have been premature, but, on the whole, this policy has succeeded in bringing about very rapidly a market stabilization by the normal play of offer and demand. Today, production and distribution of only a few basic industrial products, such as coal, iron and steel, timber and soap are government controlled and only a few essential foodstuffs are rationed. We even dared to encourage the import of goods from abroad and we admit that a number of unnecessary luxury goods have been imported. But these imports had a deflationary effect on the domestic market. We succeeded in holding the line against new wage demands by carrying out a general price reduction by 10% of all domestic goods."

The Belgian policy of relaxation of government controls over the country's industry found its climax in the decree of April 4, 1947, when more than 80 articles were taken from the government control list. All rationing or control restrictions for these goods were lifted. The new Minister of Commerce, Mr. Jean Duvieusart, commented on these important measures by pointing out that he had a two-fold object in mind: raising the standard of living in the country while, at the same time, reducing costs of living. "Price controls will be lifted wherever possible to allow the natural economic forces full play. Competition will do what Orders of Council have failed to accomplish." In Belgian Government circles, the control relaxations are considered as a new experiment which may or may not succeed. There is possibility that some of the control restrictions may be reimposed, should the equilibrium of the market fail to realize. may not succeed. There is possibility that some of the control restrictions may be reimposed, should the equilibrium of the market fail to realize.

Crucial Labor Shortage

Belgium's most urgent task is, of course, to increase production in order to improve domestic supply and to stimulate export. Much has already been achieved but, especially in the coal industry, the output situation is still greatly unsatisfactory. Belgian coal production is only 90% of normal today. The critical fuel situation influences the entire industrial picture which, otherwise, would be satisfactory, if not brilliant. The basic problem of the Belgian coal situation is the shortage of labor and the reduction in the individual output of the worker. Coal mining in Belgium is a particularly hard and unhealthy occupation and miners are increasingly deserting the pits. The Belgian Government now has been importing — with unsatisfactory results — Italian workers and displaced persons from camps in Germany. The labor outlook in the mines is particularly difficult as 40,000 German war prisoners who worked in the mines will soon be returned to their homeland.

The Belgian industrial problem today is partly one of labor shortage and partly one of overaged machinery. Some of the Belgian economic experts that this writer talked to during his visit, are critical of their country's import policy, which stimulated the import of goods of consumption but neglected the shipment of production goods such as machinery and other industrial equipment. Many Belgian plants are in urgent need to replace their outworn and overaged installations. They want to bring in large quantities of American machines of all types.

There is indication that these critics have not remained without effect on Belgian Government circles and that a change in the import policy of the country is forthcoming.

Belgium has to export in order to live and up to now postwar exports have run up only to one-third of their prewar level. In 1946, goods worth Bfrs. 50,000,-000,000 were imported while goods worth only Bfrs. 29,000,000,000 were sent abroad. The Belgian foreign trade situation is expected to improve during the current year. The forecast for the year 1947, according to Minister Gaston Eyskens' speech in the Chamber of Deputies sets the export program at Bfrs. 51,000,000,000 and imports at Bfrs. 69,000,000,000. Although Belgium has additional income from its assets abroad, from its transit trade and other sources, the deficit of the 1947 balance of payments will amount to Bfrs. 9-10,000,000,000. The Minister of Finance and his collaborators believe that it will not be necessary either to send part of the Belgian gold stock abroad nor to ask for new foreign credits. To cover the deficit, Belgium will use the remainder of the Canadian credit which originally amounted to 100,000,000 Canadian dollars, and will realize some of the Belgian assets abroad.

The Export Problem

However, the policy of disposing of Belgian investments abroad in order to cover the deficit of the balance of payments cannot be continued indefinitely. Belgian efforts are directed toward increasing exports and toward balancing exports and imports. The problem of the Belgian price level is of extreme importance for the economic future of the country. Prices have gone up markedly in recent months and the retail price index is now at 333 (1938=100) while wages have reached almost the same level. This means that production costs for the Belgian industry have been increasing substantially, bringing Belgian exports at a disadvantage on the world markets.

The future of Belgium's economic policy will probably be determined by the outcome of this internal struggle for bringing down prices and wages. The country's leading economists, government officials and industrialists hope that this may be achieved by using a minimum of government controls and by appealing to the natural forces of the country's economy. Although a few of the government controls on basic goods will be maintained for some time, the Belgian Government wants the market to operate in a normal fashion, unrestricted by government planning and supervision.

The Belgians, it is true, have also their 10-Year Plan, foreseeing investments which amount to Bfrs. 373,000,000,000 during a ten-year period. According to this blueprint, Bfrs. 140,000,000,000 will be invested in transportation equipment, Bfrs. 14,000,000,000 in the electrical industry, Bfrs. 18,-000,000,000 in coal mining, Bfrs. 9,500,000,000 in the heavy industry, Bfrs. 53,000,000,000 in other industries, Bfrs. 19,400,000,000 in agricultural development, and Bfrs. 88,000,000,000 in housing. This plan, however, is more an indication of future industrial trends than a program for directing economic activities. The Belgian economic policy, this writer was told many times, wants to remain adaptable to changing circumstances and to rely rather on liberating the natural forces of the country's economy from artificial restrictions than on government control and planning.

The Present Housing Picture

(Continued from page 9)

ing Act. In the FHA we have made adjustments in the insurance formula for multi-family rental housing projects to increase the protection to sponsors and lenders against the uncertainties presented by long-term rental housing investments during a period of high construction costs. We have helped to achieve more moderate rents by extending the maximum mortgage term under Section 608 to 32 years and seven months. In combination with a satisfactory rent formula for new housing, I believe we have a very attractive package for rental housing investments.

In accordance with that belief, a full billion dollars of the mortgage insurance authority has been allocated for veterans housing under Title VI exclusively for the insurance of multi-family rental housing projects. At the present time it appears that this entire authorization will be used in accordance with the allocation made.

There has been an increase in rental housing insurance applications to a level several times higher than the biggest previous months in FHA history. In the last quarter, FHA had its largest volume of business in history—and it was interesting to note that whereas rental housing applications had heretofore run about 5% or 10% of the total volume they now constitute about a third of the total.

Problems That Confront Us

In speaking with some optimism about the immediate outlook for housing construction, I am not minimizing the very serious problems that confront us.

The central problem is the high cost of housing. Basically, this is not a new problem; within our memory, new housing has always cost too much in terms of purchasing power of a considerable proportion of the American people.

Today, housing costs are even more out of line with our stated objectives. This is primarily the outgrowth of the shortages and dislocations of a reconversion economy. I think there is good reason to expect that by the latter part of this year, many of these abnormal pressures on costs will have been washed out. The restoration of a normal flow of materials and of normal building time in contrast to the costly delays experienced so widely in 1946 would in themselves have an appreciable effect in lowering building costs.

Of equal importance will be the return to normal competition in the housing market. I think it is a very healthy sign that there is already evidence of increasing consumer resistance to current high prices, not only for existing houses but also in scattered cases for new housing. It is likewise a very healthy sign that many of the leaders of the housing industry are well aware of the danger of pricing themselves out of the market and of the importance of establishing and maintaining the lowest prices commensurate with sufficient operations and reasonable profits. It is notable, too, that this concern is shared not only by lenders and operative builders themselves but by suppliers, realtors and leaders of the labor that represents so large a part of housing production.

The Program Ahead

The primary job of providing housing for all our people belongs to private enterprise. We are not presently able to accomplish that job at prices they all can pay, either for new or existing structures. Any program of the industry or of the government must recognize that fact.

But private enterprise can get into a position where it can do the great bulk of the job—and we are now in the first stages of the transition to that point.

Much will depend upon the wisdom of the leadership of management, labor, finance and government. Where management is inefficient it must make improvement; if it demands too much profit, that must be reduced. Where labor efficiency is low, it must be increased. Where unnecessary restrictive requirements exist and add to cost, they must be removed, no matter who has imposed them. We in Federal Government have sought to be realistic in our approach to that point, insofar as our own regulations are concerned. We don't think we have done all that can be done—and we're still at work.

There are a number of hopeful signs. Our industry meetings, recently held in hundreds of cities to discuss rental housing, have revealed a strong note of determination to conquer the besetting problems. They have revealed a stimulating degree of readiness to cooperate in rental production and in attack upon cost.

There are many indications that individual concerns are at work on projects to sell at lower prices —applying their resourcefulness to the task.

As the year advances I expect to see an increasing number of units in lower price categories of both sale and rental housing. The persons who say we cannot produce good $5,000 to $6,000 small houses in many areas in the next few years are looking only at today. I believe time will prove them wrong.

Every effort of the industry should be in the direction of meeting the great housing demand for moderate priced dwellings.

FHA is pledged to give you every bit of aid that is permissible in the terms and spirit of the present law. We are continuing to decentralize operations and place more responsibility in field offices—we are streamlining procedures—and aggressively eliminating requirements wherever possible so that the service rendered may be improved and construction of new housing expedited.

We are trying in FHA to analyze operations all over the country, and to bring the successful efforts in one section to the attention of others so that there will be an exchange of experience on production by local lenders and builders of houses for sale or for rent at lower prices. Experience has shown that this is a profitable field for building operations.

For more than 12 years I have worked with private lenders in FHA—locally and nationally. The record of cooperation and progress I have seen made in those years is to me the highly encouraging background for my firm belief in the results we can achieve increasingly as the effects of war emergency recede behind us—my experience with you leaves no doubt in my mind that the job to be done will be done by private industry.

With Francis V. Nixon

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—David A. Carey has become connected with Francis V. Nixon & Co., 607 South Hill Street.

Joins Henry C. Robinson

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, CONN. — Alexander D. Gordon has joined the staff of Henry C. Robinson & Company, Inc., 9 Lewis Street.

A Few Facts About the Over-the-Counter Securities Market

(Continued from page 7)

course, all municipal bonds, none of which, with the exception of certain New York City issues, are listed. Next, the bonds of investment calibre of practically all the country's great railroads, utility and industrial companies, many of which are listed, but where the broadest market, on which big blocks are daily bought and sold, is over-the-counter.

In stocks, the shares of many of the country's most important industrial and utility corporations, some of them while they are being "seasoned" before going on the Board, and some of them which for years have been traded over-the-counter. To name just a few of the better class of these "unlisteds": W. K. Kellogg Co. (cereals), Long Bell Lumber Co., Bausch & Lomb (optical), Anheuser Busch (beer), Crowell-Collier Publishing, Talon, Inc. (zippers), Time, Inc. (publications), Stromberg-Carlson Co. (electronics), Weyerhaeuser Timber Co.

No Homogeniety

And then, of course, all the bank stocks and the insurance company stocks, none of which, with the exception of Corn Exchange Bank, Fidelity Phenix Fire and Continental Insurance are listed on the Big Board. Trading in the shares of these greatest of American financial institutions normally bulks large in the over-the-counter market.

In so huge a market there are bound, of course, to be all kinds of securities, good, bad and indifferent. Some have excellent markets on which thousands of shares can at any time be bought and sold at close quotations. In others, the market is less active, though, at that, fully as good as that prevailing in the case of a large proportion of "listed" securities. Again, in others, the market is definitely poor, with purchases and sales usually a "work-out" proposition. Generally speaking, in these respects, the Over-the-Counter market is much like any other market. It all depends on the particular security in question.

Any idea that the fact that a stock is traded "over-the-counter" in itself means that there is necessarily a big "spread" in its quotation, is just completely wrong. A stock having an "auction market"—in other words a listed stock—can be bought or sold in just one place. For a stock having a "negotiated market"—in other words, for an over-the-counter stock—a market may be found in a dozen or twenty different places. All of which places, by the way, though they may be hundreds or even thousands of miles apart, are so inter-connected by a system of private wires, phones and teletypes as to make the whole thing just one huge market.

Here, let us quote again from Merrill Lynch's "Off-Board Security Market": "These transactions go through with breath-taking speed, even for this modern day. Recently, for example, a New Orleans customer gave an order to buy 50 shares of Time Inc. stock at the market. The order was wired to New York, traders checked six active dealers in New York and Chicago (via teletypewriters) and the confirmation was back in New Orleans within eight minutes. Another order was for 300 shares of Long Bell Lumber of Missouri from the San Francisco office. Before buying the shares, New York checked dealers in Kansas City (Long Bell's home town), Seattle (lumber country) and Chicago (active market in stock). Total time: 10 minutes."

But, one may ask, even if that is so, and these big markets over-the-counter do exist, is it not a fact that, in the case of a listed stock, official records of each transaction are available, whereas, in the case of an unlisted stock, the customer has to take the word of his dealer or broker as to the price at which the transaction was actually effected?

That, definitely, is a fact—and, to us, it means just this: Unless your relationship with your dealer or broker is such that you **can** take his word for it—in other words, unless you have confidence in him—you don't want to be doing business in the over-the-counter market, or for that matter, in any other market. The fact that an official record is or isn't available seems to us, at least, to be by no means the most important part of a security transaction.

Incidentally, long and fairly complete lists of the more important over-the-counter securities are quoted in such papers as the New York "Times," "Sun," "Herald-Tribune," "Wall Street Journal," etc.

Execution of Orders

Finally, as to the execution of orders in the over-the-counter market:

Firms executing orders to either buy or sell do so on a commission basis (in which case the firm acts as the customer's agent) or on a "net" basis (in which case the firm, acting as principal, buys from, or sells to, the customer at a price agreed in advance).

Orders to sell are apt to be arranged for on either basis but orders to buy are usually on the latter basis (particularly so where a firm has a position in the stock it is selling its clients, or is getting its stock from a wholesale source —in which case of course the firm **must** act as principal and sell at a net price).

Naturally, in either an agency or a principal transaction, the compensation received by the firm covers not only the physical process of filling the order, but the service rendered by reason of the firm's specialized knowledge of markets and the security in question, and its ability to furnish information to the customer which it might be difficult for him otherwise to obtain.

Any idea, however, that the Over-the-Counter Market is "unregulated," and that a dealer, even if he wants to, can play fast-and-loose with investors, is completely at variance with the facts, as over-the-counter firms under the Securities Exchange Act of 1934 come under the jurisdiction of the Securities and Exchange Commission.

Then, too, there is the National Association of Securities Dealers, organized under the Maloney Act, which acts as an auxiliary and exercises close supervision over its membership of 2,600 investment firms.

What sort of a "break" the customer gets in the final analysis isn't a matter of the market in which he is dealing. It's rather a matter of the kind of firm with which he is doing business.

With Norris & Kenly

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — James G. Elder has become affiliated with Norris & Kenly, 209 South La Salle Street, members of the New York and Chicago Stock Exchanges.

Treasury's Debt Redemption Policy Weakens Business Financial Position

(Continued from page 11)

less than 2½%—a 2% long-term rate was discussed in the market.

"Though the Administration was not sure, at the beginning of 1946, whether the national economy faced inflationary or deflationary tendencies, it soon became evident that inflationary tendencies were in the ascendancy. A change in interest rate policy that would have intensified such a tendency was clearly unwise. A second reason against a further lowering of rates was the damaging effects on the incomes of insurance companies, colleges and other eleemosynary institutions, and individuals, of the severe decline that had already occurred in recent years. Many corporate obligations were going through a third refunding, from 5's to 4's to 3¼'s to 2¾'s, or similar step-downs. The rate of interest thus became not only a matter of economic policy but of social policy. It is impossible to say how strongly social considerations may have weighed in the decision that interest rates were low enough. Certainly the plight into which a low and lower interest rate policy has placed such investors is most serious. These institutions perform services of immeasurable and inestimable value to the country. The belated recognition of their problems as a determinate of policy is most encouraging, although the power of the authorities in these matters is disconcertingly great.

"The importance of the decision to continue the ⅞%-2½% pattern for the indefinite future as a contributing factor in the break in the market that occurred in March must be viewed in the light of other influences. Not the least of these influences was the initiation of the debt retirement program on March 1. The prospect that this program presented to banks having large War Loan accounts—the necessity to liquidate Government security holdings as War Loan withdrawals were made—was serious or not depending on the bank's distribution of holdings. If the bank had a good distribution of short issues, withdrawals could be met without difficulty. But evidently many banks had, in the effort to minimize earnings, invested War Loan deposits not only in short issues but in intermediate obligations Sale of such obligations in order to put these banks in shape to meet prospective War Loan withdrawals was a factor in the market in the early spring and was of continuing influence as the debt retirement program progressed.

"A technical tightening of the market also accompanied each redemption. The Treasury obtained funds to meet the debt payment from the commercial banks. Most of these funds were returned to the banks (though not exactly in the same ratio to withdrawals), for the banks or their deposit customers held most of the maturing debt. Not all of the funds were returned, however, for the Federal Reserve Banks held a part of the debt being paid off. This necessitated, at the time of each redemption, the sale by the commercial banks and purchase by the Federal Reserve System of substantial amounts of Government securities. Together with the unevenness of distribution of maturing issues as compared with War Loan calls, this led to a considerable churning of the market and the Federal Reserve System was able to keep tight control of the market within the limits of the established pattern.

"That the Board of Governors of the System was quite willing to maintain the established pattern was clearly indicated in a statement accompanying the announcement of elimination of the preferential ½% rediscount rate applying to loans collateraled by U. S. Government obligations maturing within one year. At that time (April 24) the Board said: 'The Board does not favor a higher level of interest rates on U. S. securities than the Government is now paying. Discontinuance of the special rate will not involve any increase in the cost to the Government of carrying the public debt.' At the time of writing this commitment still holds, though the Chairman of the Board of Governors, in testimony before the House Banking and Currency Committee, recently stated that in the absence of other powers 'it would be desirable to permit some rise in short-term interest rates if necessary to prevent long rates from declining further as a result of debt monetization by banks.' Mr. Eccles added that 'in case there is no resumption of debt monetization and declining long-term rates, then an increase in short-term rates may not be needed at all.' The Secretary of the Treasury, in answering inquiries relative to this matter, was reported to have said that 'no changes in the interest rate policy of the Government at this time are under contemplation.'

"The fourth important development in the money market in the last year—the sharp rise in commercial, real estate and other loans of the commercial banks—emphasizes the difficulty of credit control politics at this time. Most commercial banks have large amounts of Government securities that they can sell in taking on higher yielding commercial and other loans. The banking system as a whole need sell, and the Federal Reserve System need buy, U. S. Government securities in an amount only a fraction as large as the increase in the amount of loans. While a rise in the rate of interest paid on short-term Government securities could effectively forestall any tendency of the commercial banks to sell short-term Government issues and buy intermediate issues, and could thus effectively prevent a fall in the structure of interest rates, it is not at all clear that a rise in the short-term rate on U. S. Government securities would be effective in retarding business borrowing to a significant degree. Expansion of commercial bank credit through loans to business and individuals in an inflationary environment such as now exists can be halted only by the cessation of further expansion of Reserve Bank credit—that is, cessation of further provision by the Federal Reserve System of additional reserves to the member banks. The danger in such drastic action of substantially higher interest rates and lower U. S. Government bond prices is viewed so seriously as to rule out this method of control.

"The anti-inflationary weapon relied upon as an alternative to substantially higher interest rates is debt retirement out of a cash surplus of Federal receipts over expenditures. Retirement of Federal debt held by the commercial banks could offset the effect on the total money supply of loan expansion, and this seems to be the method now being used by the Administration and the central banking authorities. This method involves the maintenance of high individual and corporate taxes and a consequent weakening of the financial position of many individuals and businesses, results that must be balanced against the very desirable reduction in the Federal debt.

Self Praise

(Continued from page 3)

Association offers a pattern for business-government cooperation, based solidly on the democratic principle of self-regulation which is in full accord with the spirit and genius of private enterprise."

The whole effort smacks not of an impartial account but of paid protaganism.

You will, therefore, not be surprised to learn that this one-sided type of indoctrination has found sponsorship by the child so favored, and that somewhere within the sanctimonious portals of the NASD, this paragon of "fair practice," machinery was set up for mailing Miss Frazer's product to the members, and that many of the members have already received the same for free.

Let us wade through the murky stream of this book, murky because one-sided, and attempt to appraise it for what it says and what it fails to say.

The author tells us that the Maloney Act contains the following provision:

> "The rules of a registered securities association may provide that no member thereof shall deal with any non-member, broker or dealer, except at the same price, for the same commissions or fees, and on the same terms and conditions as are by such member accorded to the general public."

Then she continues:

> "The net result of this provision is that every one in the securities business, unless he does only a Stock Exchange business, or engages exclusively in Government or Municipal securities, finds it profitable to be a member of the Association."

In view of this provision and of the mandatory rule of the NASD enforcing it, how—and apparently with a straight face—can the author use such terms as "self government" and "self regulation," giving the impression throughout that the NASD is a purely voluntary organization, membership in which implies a complete act of free will and nothing else?

Doesn't she know that there are in the NASD many members who are opposed to its principles and who believe that the Maloney Act should be repealed? Doesn't she know that this membership is based upon the compelling necessity to realize the commissions and trade discounts referred to by the statute and that in the absence of such membership these individuals and firms could only deal with NASD members on the same conditions and terms accorded to the general public?

Isn't she aware that with many, membership in the NASD is a forced object of bread and butter and that, clearly, the statute so intended it to be?

Why haven't we been given a true portrait? Why hasn't this provision been painted for what it really is—a monopolistic enactment contrary to good conscience which gives to the NASD an unfair advantage as compared with other securities organizations which in the true sense are voluntary and self-regulatory?

In our opinion, this shocking monopolistic privilege is violative of our principle of free enterprise. Strip the Maloney Act of that provision and there would be no National Association of Securities Dealers. While it is the bulwark of the existence of that Association, it is also the battering ram that is being used against the continuance of free, open and liquid markets.

The author quotes Wallace Fulton at length. That is a grave mistake. Doesn't she recognize that his job, as Executive Director of the NASD, is dependent upon NASD's continuance? Did she expect lack of bias from him? Her investigation should have been more in the field, where she would have learned something of the militant opposition to the prying activities of the NASD, of the burdens that have been settled upon its members by over-regulation, of the periodic and unnecessary annual inquisition conducted through the medium of questionnaires, and of the inconsistent results based substantially upon the same facts that have been arrived at by the Business Conduct Committees in different districts.

Miss Frazer speaks of pricing policies and profits and shows an ingenious lack of investigation and knowledge on these subjects in so far as they affect the activities of the NASD. We prefer to adopt that view rather than believe that there has been a willful withholding of information.

The promulgation by the NASD of the iniquitous "5% spread philosophy and interpretation" completely ignored the element of profit unless we adopt the impossible view that all security dealers operate with the same overhead. This interpretation, by placing upon the membership the duty and obligation of making an explanation where more than a 5% spread was taken, by putting the membership under such circumstances on the defensive, carried with it the implication of fraud.

It took a decision of the Securities and Exchange Commission to negative that implication and to point out that the mere size of a spread standing alone is no evidence of fraud and, further, that where one is charged with wrongdoing, the burden of proof, in effect, is with the prosecution.

We have always felt that the pricing policy of the NASD is wholly abortive, and we believe this feeling to be representative, as evidenced by the results of a poll which we conducted.

Moreover, the governing body of the NASD must have had considerable misgivings on this subject because its "5% spread philosophy and interpretation" was never submitted to its membership for approval but was methodically imposed by an interpretative fiat. Those behind that fiat must have felt that such approval would never have been forthcoming.

The Association seems to be going from bad to worse. Not content with questionnaires, we are informed that it is now abandoning them and is embarking upon a system of personal visitation and inspection of books. This gives to it the power of reprisal and of taking it out on those members who have refused to be indoctrinated with NASD ideology. They may become some of the victims.

The weakest spot in the author's armor is the suggestion that the Maloney Act and the NASD are worthy of becoming a pattern for business generally. Save us from that.

What we need is a reversion to the system of free enterprise upon which our country was founded, a return to free, open, liquid and unhampered markets.

This becomes particularly necessary and significant in a world wherein there exists a sharp clash of ideology between freedom on the one hand, and government in business on the other.

On the whole, Miss Frazer's effort is a striking example of how not to treat the Maloney Act and the NASD.

We hope that some day some one will write it up as it deserves to be handled.

We have tried to do so in a measure as part of our editorial policy.

The work savors of a subsidized effort rather than impartial disclosure.

NASD's stature has been diminished by association with it.

Since the above was written, the following letter was received from a Chicago dealer by the Editor of the "Chronicle" reflecting righteous indignation at the one-sided character of Elizabeth Frazer's brochure.

"Yesterday we received (free of charge, believe it or not from the NASD) a book entitled 'The Security Business Comes of Age'.

"Of all the damnable New Deal propaganda, this is it. If any security dealer can read this without becoming nauseated, he must be awfully dumb.

"The answer to this book should be that every dealer write his Senators and Congressman, and advise all his clients and friends to do the same thing—to repeal the Maloney Act, which is one of the most vicious things in the form of regimentation on the statute books.

"The die-hards in the NASD want to perpetuate themselves in office the same as the New Dealers. Even President Truman is very subtly trying to get the OPA back in a disguised form of price fixing."

Why the Scare Campaign?

(Continued from page 6)

the rate of $177 billion—greater than during the peak war years.

(4) Our gross national product is at an all time peacetime rate of $194 billion, within 5 billions of the war years high when 50% of all product went to war.

(5) Farm debt is at an all time low of $5 billions.

(6) Car loadings are at terrific levels.

(7) Unemployment except in special problem areas is virtually non-existent.

(8) Retail sales are above one year ago.

(9) Steel is 96% of capacity.

10. Automobiles are being produced at the rate of 6.5 million a year.

(11) Insurance premiums for 1946 up 15%. I include this item because of the wide spread in insurance placement in all income brackets. Particularly significant in this category are the new premiums in the industrial insurance field which, according to preliminary reports also are up for 1946.

(12) Savings accounts are up.

(13) Bond redemptions are down.

(14) Taxes, at reduced rates, are $42.5 billion within $4 billion of the wartime peak of $46.5 billion.

(15) The President has announced a balanced budget as of June 30 with $1½ billion surplus.

Signs of Good Business

And we do not need to look to statistics alone for the signs if we would find them.

I recently returned from a tour of seven cities. I found window "Help Wanted" placards in five cities. I waited for hotel rooms in three cities; I found white shirts not available in 11 shops. I found virtually no unemployment in the ranks of the employables. And those symptoms are but a crude composit of conditions everywhere except in widely scattered problem areas.

We need only to examine our personal inventories to find cerification of where business can go for several years.

I need three suits, three pairs of shoes, a top coat, an overcoat, 12 shirts, an automobile, a house (and almost all that goes with it) to name only part of my personal needs. In other words my personal requirements are such as to keep ten men at average wages busy for more than one year. Multiply this homely illustration by the millions of Bob Coynes and a vast area of opportunity unfolds that should please every businessman's heart.

Among the phenomena viewed to predict conditions are many things whose purport varies often with the economist at the stethoscope. There is, however, one great ponderable that is seldom charted. That ponderable is "public confidence" and public confidence is ponderable in that we know without doubt lack of confidence makes good times bad and bad times worse.

I do not deny that prices are out of line. I believe they will level off as they always have when the laws of supply and demand are permitted to assert themselves.

I deplore the lack of statesmanship in labor's leadership. I am confident that the public's interest will be protected.

I recognize the lack of courage and capacity in some politicians and I lay that at your door and mine to correct by way of better selection.

Discount all of these factors, however and, in spite of them, we should be able to see our responsibility, stop chasing ghosts and battling shadows and to see conditions as they are and move ahead.

I advocate no Pollyanna philosophy. I do not advocate, however, that we reject the thesis that we live in a house of cards and by our own mental attitudes make plus mental attitude an ingredient of the equation.

You as a group have demonstrated that you are "up" thinkers. You can be a cell of infection to spread the idea that a sound positive attitude is not necessarily moronic and that a positive attitude based on known factors is a bit more realistic than conjuring with enemies by way of factors we cannot see and can only fear.

We cannot say what might happen in three or four years; we cannot hedge against everything; but I think we are not being "Pollyannas" if we say "At least let's not bury the body now. Let's think "up" not "down." Let's take it from here!

Travers With Marache Sims

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Tad Travers has become associated with Marache, Sims & Speer, 458 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly with Crowell, Weedon & Co.

Revel Miller & Co. Adds

Special to THE FINANCIAL CHRONICLE

LOS ANGELES, CALIF.—Robert E. Davies has become affiliated with Revel Miller & Co., 650 South Spring Street, members of the Los Angeles Stock Exchange.

Stock Market Operating On Pendulum Psychology

(Continued from page 13)

duction is expected to be down 11% (this is 42% higher than pre-war), and so forth. On an overall basis the FRB index of industrial production is visualized as dropping to a low of 150 a year from now as compared with 189 for March 1947. This would be the equivalent of about a 20% decline.

The question naturally arises as to what might be considered a commensurate decline in the stock market. Unfortunately, no stereotyped answer is readily available for the reason that the stock market is a much more psychological affair than business activity, which is a more or less realistic measurement of supply and demand for goods. However, some idea may be obtained by noting the following comparative statistics showing the percent decline in business activity for each of the so-called business depressions since the turn of the century and the correponding decline in the stock market (Dow-Jones industrial average).

CORRELATION OF STOCK MARKET AND BUSINESS DECLINES

Dow-Jones Industrials:

Dates	High	Low	% Decline
Apr. 1902	68.4		
Nov. 1903		42.1	—37
Jan. 1907	96.4		
Nov. 1907		53.0	—43
Nov. 1909	100.5		
July 1910		73.6	—27
Nov. 1916	110.1		
Dec. 1917		65.9	—40
Nov. 1919	119.6		
Aug. 1921		63.9	—47
Mar. 1923	105.4		
Oct. 1923		85.7	—19
Sept. 1929	381.1		
July 1932		41.2	—90
Mar. 1937	194.4		
Mar. 1938		98.9	—49
May 1946	212.50		
Oct. 1946		163.12	—24

FRB Index of Industrial Production:

Dates	High	Low	% Decline
June 1903	37		
Dec. 1903		20	—46
July 1907	51		
Feb. 1908		27	—47
Dec. 1909	57		
Jan. 1911		41	—28
May 1917	81		
Jan. 1918		60	—26
Feb. 1920	82		
Apr. 1921		55	—33
May 1923	92		
July 1924		75	—19
Aug. 1929	114		
July 1932		53	—53
May 1937	121		
May 1938		81	—33
Mar. 1947	189		
Assumed		150	—20

It will be noted from the foregoing that the percentage decline in the stock market has usually been somewhat larger than the corresponding percentage decline in business activity. This is particularly true in the more recent major depressions, such as 1937, 1929 and 1919. It is not true of the earlier depressions of 1907 and 1902, when business activity declined percentagewise more than the stock market. Neither is it true for periods of relatively minor business recession such as 1923-24, for instance, when business activity declined 19% and the stock market decline equaled 19%. A similar situation prevailed in 1909-11 when business activity was down 28% and the stock market was down 2%.

Skipping to the present situation, we might point out that a year ago this month the stock market reached a peak of 212.50 (Dow-Jones industrials). The subsequent low in this index was recorded last October at 163.12 (compared with about 172 now). The FRB index for May 1946 stood at 159 as compared with an estimated 189 for March 1947 (assumed to be the peak). The maximum decline to date in the stock market as measured by the Dow-Jones industrial index has been about 24% — already more than the extent of the decline in the business forecast referred to above.

This is not intended as a forecast that the lows of last October (163) will not be violated but rather to suggest that, based on the above business forecast, it would appear that further market weakness which would accompany downside penetration of the October lows should be considered as offering longer range buying rather than selling opportunities. To be prepared for such an eventuality, retention of adequate cash resources would appear to represent sound market policy.

Riskless Profit Investment

The problem to be faced is whether or not to liquidate present holdings. The risk of losing an invested position in sound securities is, of course, substantial at present levels since the stock market may be at or near an important turning point, yet it cannot be denied that the threat of still lower prices is very real.

Black, Jones With Marxer

(Special to THE FINANCIAL CHRONICLE)

SAGINAW, MICH.—William E. Black and Harry H. Jones have become associated with Marxer & Co., Penobscot Building, Detroit, members of the Detroit Stock Exchange. Mr. Jones was formerly with Hornblower & Weeks, and Merrill Lynch, Pierce, Fenner & Beane.

With Prugh, Combest, Land

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—Frank B. Anderson, Jr., has been added to the staff of Prough, Combest & Land, Inc., 1016 Baltimore Ave.

Holds Production Index Portends Recession

Ira Haupt & Co. publishes chart which is interpreted as indicating an economic unbalance that sooner or later calls for correction

Ira Haupt & Co., member of the New York Stock Exchange, has issued a Production Index Chart showing the relation of durable to non-durable goods since 1918, based upon the Federal Reserve Board Index of Industrial Production. According to the firm's circular explaining the chart "there is always a close correlation between the trend of industrial activity and the trend of stock prices. Though their respective curves are seldom exactly alike, in their major outlines they usually are closely identical."

"Past experience shows," the circular continues, "that the market has been anticipating business reversals well before they occur. On the other hand, stock prices have been less precise a barometer in anticipating the end of a recession or depression. Generally, production trends have been a more sensitive indicator of a change in direction. This refers not so much to the broad index of industrial production, which has not always been a clear advance indicator of where the economy was heading. Rather it is the relative movements of the production indices for durable and non-durable goods that appear to have more prophetic significance.

Durables vs. Non-Durables

"In this connection, the long term chart of these indices, shown here, points up an interesting pattern. The chart shows the movement of the Federal Reserve Board Index of Industrial Production, and also production trends in the durable and non-durable goods fields, the latter indices representing their respective weights in the total index. Generally, the durable goods line has been moving below that of non-durable goods, but we find that whenever output of durable goods overtook production of non-durables, this proved to be a danger signal which was followed by a decline in the overall production index, in other words, in general industrial activity. The same signal was given when the distance between the durable and non-durable components narrowed to a 'bottle-neck.' Such formations, in the chart, occur at points 1, 2, 3, 4, 5 and 6—they were promptly followed by a downtrend of the total production index.

"The only exception was the latest war period, for obvious reasons. Production of war materials naturally boosted the durable goods component tremendously and this component consequently outdistanced the non-durable goods line greatly, despite the strong uptrend in the latter. With the decline of war production, a steep drop in the overall production index was inevitable.

The Recent Pattern

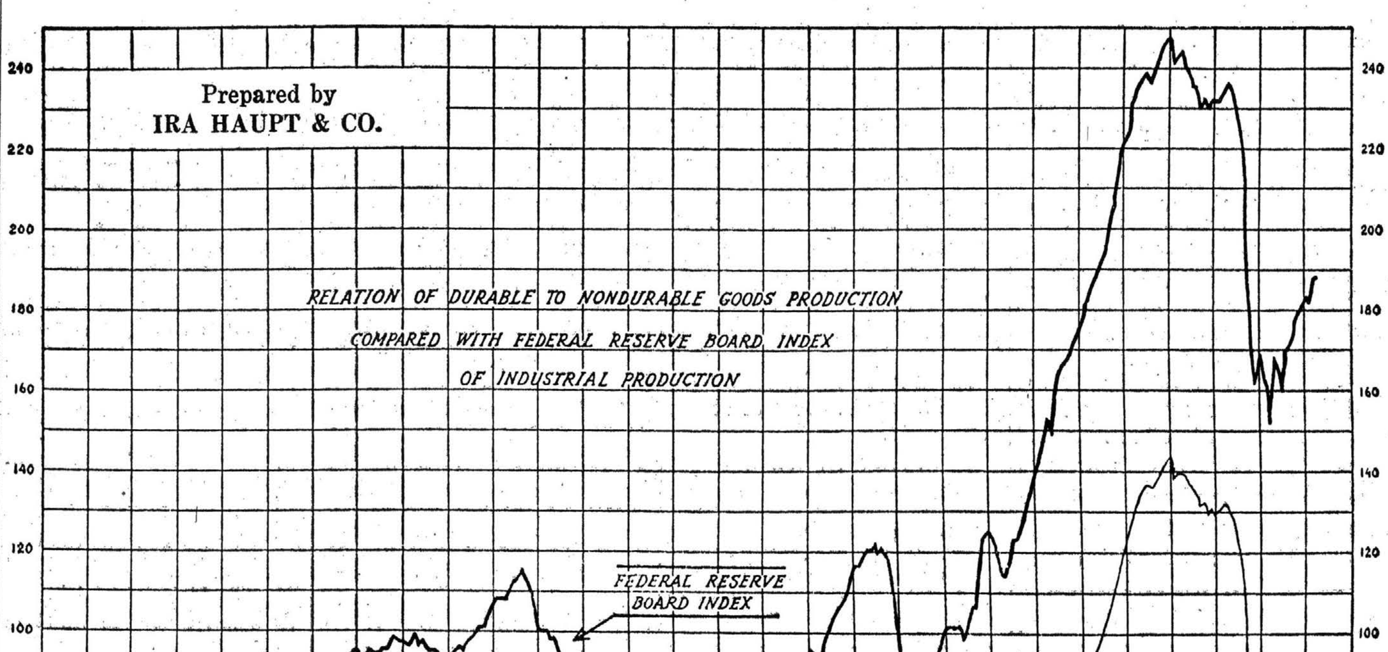
"It is the pattern of previous years, as shown on the chart, that appears of particular interest today, for something similar is presently occurring. During the fore-part of 1946, the non-durable goods line was strongly maintained and even rose, reflecting peak production, while the durable goods line, mirroring strikes and reconversion handicaps in the capital goods industries, dipped sharply. Around the middle of 1946, however, the durable goods line in the course of a sharp recovery move crossed the non-durable goods line, and during the latter part of the year, both showed a rising trend on a narrow parallel course forming the familiar bottle-neck. At the end of 1946 and early in 1947, the durable goods line continued its strong upward trend, while the non-durable goods line assumed a downward course. On basis of past experience, this configuration would be a clear signal of an impending period of readjustment, accompanied by a decline in the FRB Production Index.

Economic Unbalance

"Basically such signals, when they occur, indicate unbalance within the economy that sooner or later calls for correction. In other words, they indicate impending cycle changes. At present, the durable goods line continues its uptrend, the non-durable line its downtrend, with the former counterbalancing the latter in the overall production index. To what extent this compensatory action will continue depends largely on the trend in the non-durable goods field. The downtrend in non-durables will hardly continue to be offset by a corresponding upward trend in durable lines, considering the already high level of activity in the latter field and the large inventory accumulation that has occurred. Therefore, any further downtrend in the non-durable index may shortly bring about a downward movement in the total production index. As a corollary, any subsequent downward slant of the durable goods line will tend to intensify the decline in the total index.

"A recessionary tendency in business has long been forecast and appears immediately in the offing. If anything, the pattern now forming on the chart seems to furnish additional proof of this. The further development of the chart formation may ultimately give worthwhile clues as to the severity and length of the recession now apparently impending, and for this reason deserves continued watching."

PRODUCTION INDEX PATTERN SIGNALS READJUSTMENT



Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Liquidation step-up may bolster technical position to point where another rally may be in the making.

As this is being written some of the stocks recommended for purchase at specific levels seem to be getting pretty close to buying points. Perhaps before the week is over they'll be low enough to buy.

* * *

In the event the stocks are bought it must be remembered that the stops were given to be used. If any stock gets under the critical level it should be sold.

The action of the market for the past few days hasn't been anything to cheer about. In fact, most of its action is simply grist for the technicians' mill, rather than fodder for the buyer or seller. One day they close pretty badly looking like the following day will see a collapse. The following day they kind of perk up and show almost a complete change of heart. It is apparent that such action doesn't encourage either the bull or the bear. The former, if he's long, is nervous and probably sitting with a paper loss. The latter is also nervous and watches newspaper headlines for clues.

* * *

There is a considerable volume of talk about how business will pick up, or will continue to stay at present levels, for the next few months. If there could be a reliable answer to this problem, it would go far toward giving a better than average clue to the future of the market. Actually nobody really knows what the industrial trend will be. It is no secret that the high prices of plenty of consumers' goods has left some businesses with tremendous potential sales but no customers to sell to. Many a potential buyer has simply been priced out of the market. It's ironical to see the demand but insufficient buying power to satisfy it. As things stand, markets for many products today have become smaller and smaller. If this keeps up inventories in manufacturer's hands will again reach uncomfortable levels.

* * *

Such widely publicized plans like the Newburyport and similar campaigns can never solve a basic condition. The retailer may cut his prices, the wholesaler may come down a notch. It is the prime producer, however, who is the main cog in this cycle. Until he makes adjustments the only thing local price cutting campaigns can accomplish is to get newspaper space.

It is seemingly apparent that the market is concerned with something. It is logical to assume that a dwindling buyer's bankroll is one of the "somethings" in the scheme of things that goes into the making of the stock market. When the stock market makes up its mind what the approach will be it will act in a positive manner. Until then it will probably continue to back and fill.

* * *

In rallying strongly the earlier part of last week, the market removed a short interest. With the current dull decline it is now in the process of losing a long interest as well. A few more points on the downside and the condition that brought about the first rally can reoccur.

I'm aware that there's nothing stable in such a performance. I, however, interpret (or, at least, try to interpret) market performance as I see it, not as I would like to have it.

The list of recommended stocks, prices and stops are still as follows: Anaconda at 35, stop 34; Chrysler 85, stop 83; International Paper 39-40, stop 38, and U. S. Steel 65-66, stop at 64.

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.]

Observations

(Continued from page 5)

calls and forced refunding). From the corporate and government obligations he might now wish or need to buy, he would suffer even larger shrinkages, both absolutely and in contrast with the tremendous rise in his living costs. Thus, the yield obtainable on high-grade corporate bonds, as measured by the Standard and Poors Index, has since 1937 declined from 3.3 to 2.5%, on long-term Government Bonds from 2.66 on tax exempts to 2.19% on fully taxables, and on common stocks from 4.86 to 4.77%.

Similarly we find that the Britisher has likewise been caught in a "wage-price" squeeze. Since 1935 his capital invested in common stocks has advanced by 36%, while his cost of living, as reflected in the British Cost of Living Index, has risen by 45%.

The Tax "Kitty"

The incidence of taxation has probably contributed to the popularity of British equities, both as related to British fixed-interest securities and to American common stocks. This has occurred through the exemption of profits from capital gains taxation in England. The U. S. capital gains tax works a heavy penalty on investors as well as speculators, and in ways that are often unrealized. Its importance is often overlooked in stock-purchasing which is undertaken to gain advantage from, or hedging against, inflationary cycles. For the cold fact is that market appreciation simply cannot be realized in money without paying at least 25% into the "house kitty."

This goes alike for the rankest speculator and the most legitimate investor of trust funds. The short-term speculator-investor, trying to realize capital gains, must take into account the unrelenting obligation to contribute this "cut" to the tax pool, irrespective of how discouraging and unwelcome the recognition of this may be. This handicap blocks the individual trying to "beat the market" either by logarithmic chart-reading or other "technical" systems, as well as the large institution (as Vassar and Yale) determining its portfolio changes by the most scientific policies of long-term transfers between stocks and fixed interest securities.

Likewise the taxation of dividend income at the secularly higher rates is another important element corroding the protection of the investor's capital. In actual results it narrows, sometimes to an unrealizedly great degree, the apparent mathematical spread between bond and stock yields. For example, the prospective purchaser of a common stock at the present average yield of 4.77%, might have the approach that he is gaining a differential over Government Bond investment of 2.6%. Actually, if he is a $55,000 income man (with wife, and two children) in a 50% tax bracket, he will be gaining only 1.3% as compensation for his risk-bearing; only a $1,300 additional net increment from a $100,000 purchase of stocks. In Britain such diminished rates of advantage of stocks over government securities applies to the individual enjoying an income of £5 thousand.

Washington and You

(Continued from page 5)

penny-a-bottle tax would net $132,500,000 in annual revenue.

* * *

Investment bankers aren't to be told whether—or where—governmental lightning is to strike until Justice Department weather makers are ready to loose their bolts. Secret testimony just made public by the House Appropriations Committee quotes Attorney General Clark as complaining that investment banker combinations "more or less control the money market." Clark opined that you can't legislate but must educate people into doing the right thing then conceded his undercover men were working on a case against the bankers.

* * *

Bankers shouldn't expect removal of the Federal Deposit Insurance Corporation assessment soon. FDIC men want to continue the levy and Congress won't tell them not to. Legislative proposals to free banks from this extraction aren't to be enacted this session.

* * *

And now alphabetical jurisdictional jealousy has the Justice Department and Interstate Commerce Commission in court. Some years back, Justice Department charges of monopoly against Allied Vans were compromised in a consent decree. Subsequently, ICC authorized the van lines to violate the decree, according to Justice Department counselors. So now JD claims contempt, wants the court to step on ICC. Of the outcome, Attorney General Clark declines to be a phophet, says . . . "I do not know how we will end up."

* * *

Justice Department is ruling that 10 to 20 of every 100 projected mergers would violate antitrust laws. Approximately 10 proposed consolidations are dangled each week before the Department for advisory opinions.

* * *

The can shortage is ended and there'll be a plentiful 1947 supply for food processors. One reason is sharp curtailment of orders by paint manufacturers. The paint makers are lowering production sights because of (1) mounting ingredient costs and (2) declining consumer demand.

* * *

One crowd of paint makers recently talked the Agriculture Department into buying for them a lusty volume of linseed oil from Argentina at outrageously high cost. Now they'd like to renege on this deal but can't.

* * *

Congress is to conduct thought clinics this session on bank holding company legislation. But that's about all. Last week House Banking Chairman Wolcott dropped the Administration's bank holding company bill into the hopper. When eyebrows raised in surprise, Wolcott explained . . . "I just want my colleagues to be thinking about this." He won't order early hearings.

* * *

The time is coming when lawmakers must turn to export controls. Otherwise, there'll be no such restrictions after June 30. Most legislators are reluctant to extend licensing power but can be expected to do so against their better judgment. Drumming for the fight against extension will be farm Congressmen, speaking for grains, fats and oils.

* * *

House-approved Wolcott bill, continuing rents and scuttling commercial and industrial construction restrictions, will vacation quietly on the Senate calendar, then be shuttled into conference without Senate approval. Final disposition isn't yet foreseeable.

* * *

Railroad Reorganization Act of 1947, establishing standards and methods for avoiding rail insolvencies and bankruptcies, starts through Congress in a one day hearing before the House Commerce Committee May 19. Successor to the Wheeler - Reed bill, pocket-vetoed last year, this version has been streamlined to meet Presidential objections. It won't get far this year, will be shouldered aside until next session.

* * *

At least some rail carriers now in the midst of reorganizing are against the bill, will so advise the Commerce Committee.

* * *

Commerce Department Secretary Harriman hopes that by late 1948 or early 1949 the aviation industry can undertake a share of airways development costs.

* * *

Attention President Truman! You say consumer prices must be lowered. You appoint Washington's Public Utility Commission. You've read in the papers how the PUC just authorized the local transit company to hike its fares 20%. How come?

* * *

A startled House of Representatives last week heard—and didn't deny—a charge the International Bank has degenerated into a political instrument. The complainant was Connecticut's Representative Patterson, former Marine who fought in the Pacific and European theatres. He told his colleagues . . . "The bank has been established for almost a year. Yet, it has not loaned a dime or stabilized a penny's worth of currency anywhere in the world. The spirit of the bank is being violated daily. The American members no longer think in terms of need but instead in terms of political opportunism." Next day the bank announced a loan to France.

* * *

Keep an eye on the War Department's experiments with plastics. Already the Army has proved to its own satisfaction that plastic dishes in the long run cost less than pottery tableware. That should needle the potters. Further, the Quartermaster Corps hopes to develop plastic materials for use in buttons, sunglass frames, waterbag faucets, helmet liners, tropical helmets and crash helmets.

* * *

Federation for Railway Progress Chairman Robert R. Young plays to capacity audiences in his Washington tirades against Wall Street domination of the carriers. Last week he drew to the National Press Club weekly luncheon meeting an overflow mob. Demand for his speech copies was so insistent that 150 extras were ground out on a second run. The title — "Democracy in Degeneracy."

* * *

And now comes labor with a request that the Supreme Court decide whether an argument between a store proprietor and a union truck driver constitutes a labor dispute. The proprietor bawled out the driver for delivering bread at the wrong time. The union responded with pickets and a secondary boycott. A lower court said no labor dispute was involved, therefore issued an injunction against the union. So the union's lawyers are drafting a Supreme Court appeal. Actually the controversy is more important than would appear — the resultant court opinion may narrow punitive union operations against employers.

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) 21,000 shares ($5 par) common. **Price**—$12 a share. Offered for subscription to shareholders of record May 1. Rights expire May 16. No underwriting. To refund current bank indebtedness.

● **American Cyanamid Co., New York**

May 13 filed 391,076 shares ($100 par) cumulative preferred, Series A. **Underwriter**—White, Weld & Co., New York. **Offering**—To be offered for subscription by common stockholders on the basis of one share of new preferred for each seven shares of common held as of June 10. Price by amendment. **Proceeds**—To redeem outstanding 5% cumulative preference stock and to finance expansion program. **Business**—Manufacture of chemicals.

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 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 Motors, Inc., New York**

May 6 (letter of notification) 99,990 shares of 50 cent par capital stock. **Price**—$3 a share. No underwriting. For purchase of manufacturing plant and facilities and for working capital.

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.

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.

● **Bearings Co. of America, Lancaster, Pa.**

May 8 filed $500,000 of first mortgage 4½% serial convertible bonds and 60,000 shares ($1 par) common. **Underwriters**—Dempsey-Tegeler & Co. and J. W. Brady & Co., St. Louis, Mo. Price by amendment. **Proceeds**—To repay bank loan and for general working funds. **Business**—Manufacture of ball bearings.

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.

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.

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 (5/19-23)

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, estimated 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.

(Continued on page 42)

NEW ISSUE CALENDAR

(Showing probable date of offering)

May 15, 1947

Consol. Gas El. Lt. & Pwr. Co. of Balt.	Debentures
Grammes (L. F.) & Sons Inc.	Preferred
Neptune Meter Co.	Common

May 16, 1947

American Hydraulics Inc.	Common
Dean Phipps Stores, Inc.	Common
National Plumbing Pottery Co.	Preferred
Popular Home Products Corp.	Common

May 19, 1947

Bowman Gum	Common
Continental-United Industries Co. Inc.	Common
Curlee Clothing Co.	Preferred
East Coast Electric Co. 2 p.m. (EDT)	Bonds and Common
General Controls Co.	Preference and Common
Greil Drug & Chemical Co.	Common
Koppers Co., Inc.	Common
Oswego Soy Products Corp.	Common
South Carolina Power Co. 12 noon (EDT)	Bonds and Common
Whites Auto Stores, Inc.	Common

May 20, 1947

California Oregon Power Co. 11 a.m. (EDT)	Pref. and Common
Central of Georgia Ry.	Equip. Trust Ctfs.
Ohio-Apex Inc.	Common
Missouri Pacific RR. Noon (EDT)	Equip. Trust Ctfs.

May 21, 1947

Lerner Stores Corp.	Preferred
Lithium Corp. of America	Common
Upper Peninsula Power Co.	Bonds & Pref.

May 23, 1947

Denver & Rio Grande Western RR. Noon (MST)	Equip. Trust Ctfs.

May 26, 1947

Lay (H. W.) & Co., Inc.	Pref. and Common
Netherlands, Kingdom of	Bonds
Webber Showcase & Fixture Co.	Common

June 2, 1947

Libby, McNeill & Libby	Preferred

(Continued from page 41)

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.

● **Brulin & Co., Inc., Indianapolis, Ind.**

May 5 (letter of notification) 3,021 shares Class A preferred. **Price**—$20 a share. No underwriting. For working capital.

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.

● **Calaveras Mining and Milling Co., San Francisco**

May 8 (letter of notification) 46,585 shares of common. **Price**—$1 a share. No underwriting. For development of mining properties.

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.

California Oregon Power Co. (5/20)

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: First Boston Corp. and Blyth & Co. Inc. (jointly); Merrill Lynch, Pierce Fenner & Beane and Harriman, Ripley & Co. (jointly). California Oregon will sell all of the preferred and 18,000 shares of the common, Standard Gas & Electric Co. (parent,) will sell the remaining 390,000 shares of common. **Bids Invited**—Bids for the purchase of the securities will be received by the company at office of the Chase National Bank, 11 Broad St., New York, up to 11 a.m. (EDT), May 20.

Canadian Breweries Ltd., Toronto, Canada

May 14 filed 200,000 shares (no par) common stock. Underwriting, none. **Offering**—To be offered to common stockholders of record June 2. **Proceeds**—For general funds to finance expansion program of company and Canadian subsidiaries or to reimburse treasury for expenditures already made.

● **Carnegie Hill-87th Street Corp., New York**

May 7 (letter of notification) 10,000 shares ($1 par) capital stock. **Price**—$30 a share. **Underwriter**—Albert B. Ashforth, Inc., New York. For part payment of apartment house.

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.

● **Chemical Electric Recovery Corp., Reno, Nev.**

May 5 (letter of notification) 1,000,000 shares of capital stock. **Price**—1c a share. No underwriting. For working capital.

● **Chitwood Consolidated Corp., Joplin, Mo.**

May 5 (letter of notification) 15,000 shares of common. **Price**—$10 a share. No underwriting. For mine development.

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.

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.

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.

Consolidated Gas Electric Light & Power Co. of Baltimore (5/15)

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. (5/19-23)

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 $8.75 per share. **Proceeds**—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 (5/19-23)

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.

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.

● **Dean Phipps Stores, Inc., Scranton, Pa. (5/16)**

May 9 (letter of notification), 24,950 shares of common (par $1), issuable upon exercise of 49,900 option warrants. Each warrant entitles holder to purchase ½-share of common at $6 per share beginning May 15, 1947, and terminating May 15, 1950. Proceeds for corporate purposes.

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**

May 8 (letter of notification) 15,000 shares Class B common. **Price**—At market. All or part of the securities may be sold through Bennett, Spanier & Co., Chicago, as agent. The shares are being sold on behalf of three officers of the company.

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.

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. (5/19)

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. **Bids Invited**—Bids for purchase of the bonds will be received up to 2 p.m. (EDT), May 19, at Hotel Warwick, 17th and Locust Streets, Philadelphia.

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.

● **Franklin Mining Co., Denver**
May 7 (letter of notification) 50,000 shares ($1 par) common, of which 25,000 shares will be offered at $1 and 25,000 shares at $1.25. **Underwriting** — Investments Supervisors, Inc., and two officers of the company. For payment of balance of property lease and mine development.

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.

General Controls Co., Glendale, Calif. (5/19-23)
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.

● **Glatfelter (P. H.) Co., Spring Brook, Pa.**
May 14 filed 6,243 shares 5% ($100 par) cumulative first preferred. **Underwriter**—Stroud & Co., Philadelphia. **Price**—By amendment. **Proceeds**—For plant development program. In addition, company said it also proposes to sell at a later date $3,000,000 first mortgage 3½% sinking fund bonds due 1967 to the New York Life Insurance Co. and 40,000 shares of ($10 par) common to Provident Trust Co. of Philadelphia and P. H. Glatfelter, trustees for Sundry Trusts, at $12.50 a share. **Business**—Manufacture of wood pulp paper.

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.

Grammes (L. F.) & Sons, Inc., Allentown, Pa. (5/15-16)
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 (5/19-23)
May 5 (letter of notification) 150,000 shares of common stock. **Price**—$1. **Underwriter**—Willis E. Burnside & Co., Inc., New York. Proceeds to buy all assets of Mid-State Pharmacal Co., Inc. of Bedford, Ind., which makes a complete line of over 150 drug items, and for additional working capital. Expected to be blue-skied in states of New York, Penn., Ohio, Indiana, Georgia and Alabama.

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.

● **Hastings Manufacturing, Hastings, Mich.**
May 9 (letter of notification) 100 shares ($2 par) common on behalf of John S. Bechtel and Freda R. Bechtel, stockholders. **Price**—$18.75 a share. Underwriters for the offering were not named.

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.

● **Hedwin Corp., Baltimore, Md.**
May 2 (letter of notification) 5,000 shares ($10 par) 6% preferred and 14,000 shares ($5 par) common. **Price**—$15 per unit, consisting of one share of each. No underwriting. For working capital.

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.

● **Instruments Corp. of America, Lansdale, Pa.**
May 7 (letter of notification) 9,000 shares ($30 par) 5% cumulative preferred and 19,000 shares ($1 par) common. **Price**—$30 a preferred share and $1 a common share. No underwriting. For payment of obligations and for working capital.

International Dress Co., Inc., New York
Aug. 28 filed 140,000 shares of common stock (par $1). Underwriter—Otis & Co. Offering—Price $10 per share. Proceeds—Selling stockholders will receive proceeds. Offering date indefinite.

● **Interstate Power Co., Dubuque, Iowa**
May 13 filed $19,400,000 of first mortgage bonds, due 1977, and 3,000,000 shares ($3.50 par) capital stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds only), and Dillon, Read & Co. Inc. (stock only). **Proceeds**—For debt retirement, finance new construction and for working capital. **Business**—Public utility.

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.

● **Jefferson City Mining Co., Denver, Colo.**
May 5 (letter of notification) 20,000 shares (10c par) stock. **Price**—10 cents a share. No underwriting. To develop mines.

● **Jewel Tea Co., Inc., Barrington, Ill.**
May 9 (letter of notification) $300,000 of no par common. To be sold at market price. No underwriting. For general corporate purposes.

● **Kentucky Utilities Co., Lexington, Ky.**
May 9 filed $24,000,000 of first mortgage bonds, Series A, due 1977, and 130,000 shares ($100 par) cumulative preferred. **Underwriters**—To be determined by competitive bidding. Probable bidders for securities include Blyth & Co., Inc.; The First Boston Corp.; Halsey, Stuart & Co. Inc. (bonds); Union Securities Corp. and Merrill Lynch, Pierce, Fenner & Beane (jointly) and Lehman Brothers and Lazard Freres & Co. (jointly). **Offering**—Bonds will be offered publicly while preferred stock initially will be offered in exchange for its outstanding ($100 par) 6% preferred and ($50 par) junior preferred. The basis of exchange will be one share of new preferred for each share of 6% preferred and one share of new preferred for each two shares of junior preferred. Shares of new preferred not issued in exchange will be sold at competitive bidding. Price to be determined by competitive bidding. **Proceeds**—Proceeds from the sale of new bonds will be used to redeem $21,000,000 of 4% first mortgage bonds, due 1970, at $105. Proceeds from the sale of new preferred will be used to redeem unexchanged shares of old preferred.

Koppers Co. Inc., Pittsburgh (5/19-23)
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. (5/21)
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.

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.

McCormack & Co., San Francisco
April 14 (letter of notification) 25,000 shares ($1 par)

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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.

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.

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.

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 Homes Corp., Lafayette, Ind.

May 5 (letter of notification) 8,000 shares ($1 par) common. **Price**—$12.50 a share. No underwriting. To finance subsidiary engaged in mortgage loan business.

● National Package Drugs, Inc., St. Louis, Mo.

April 30 (letter of notification) 9,000 shares of 6% cumulative preferred ($10 par). **Price**—$10 a share. No underwriting. For additional working capital.

● National Plumbing Pottery Co., N. Y. (5/16)

May 9 (letter of notification), 30,000 shares of 5½% cumulative preferred stock (par $10). Underwriting, none. To be offered at par. To construct and equip a plant for manufacture of plumbing pottery and other types of plumbing fixtures.

● Nation-Wide Securities Co., Inc., New York

May 13 filed 300,000 shares ($1 par) capital stock. **Underwriter**—Calvin Bullock, New York, is the exclusive distributor of the company's securities. Price based on market price. **Proceeds**—For investment. **Business**—Investment business.

● Nelson Electric Corp., Santa Monica, Calif.

May 5 (letter of notification) 100,000 shares ($1 par) common. **Price**—$1 a share. **Underwriter**—John Newby, of Los Angeles, will be authorized to sell the shares. For retirement of bank loans, purchase of inventory and for working capital.

● Neptune Meter Co., New York (5/15)

May 8 (letter of notification), not more than 6,500 shares of common stock (resulting in an aggregate of not more than $86,341). To be sold through Drysdale & Co., New York. Price at market. Proceeds to selling stockholders.

● Netherlands (Kingdom of) (5/26)

May 9 filed $20,000,000 10-year 3¾% external sinking fund bonds of 1947, due 1957. **Underwriter**—Kuhn, Loeb & Co., New York. Price by amendment. **Proceeds**—To purchase products and services for reconstruction of the Netherlands in Europe and its economy.

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.

● Nopco Chemical Co., Harrison, N. J.

May 9 filed 25,000 shares ($100 par) cumulative preferred, series A. **Underwriter**—Paine, Webber, Jackson & Curtis, New York. Price by amendment. **Proceeds**—To repay $1,500,000 bank loan and for working capital. **Business**—Manufacture of chemicals.

● Nutrine Candy Co., Chicago

May 8 filed 100,000 shares ($1 par) common. **Underwriter**—Stifel, Nicolaus & Co., Chicago. Price by amendment. **Proceeds**—The offering is being made by three stockholders who will receive proceeds. **Business**—Manufacture of candy.

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.

● Oswego (N. Y.) Soy Products Corp. (5/19)

May 12 (letter of notification) 144,000 common shares (par $1). **Price** — $2 per share. **Underwriters** — Cohu & Torrey and Herrick, Waddell & Co., Inc. Completion of plant, additional working capital, etc.

● Peninsular Telephone Co., Tampa, Fla.

May 12 filed 16,079 shares (no par) common. Underwriting—None. **Offering**—The shares will be offered for subscription to common stockholders on the basis of one share for each ten shares held as of June 9. The company has not determined whether to make a public offering of unsubscribed shares. **Price**—$33 a share. **Proceeds**—For plant expansion and improvements and for general corporate purposes. **Business**—Telephone service business.

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.

● Popular Home Products Corp., New York (5/16)

May 9 (letter of notification) 75,000 shares of common stock (par 25c.) and 5,000 shares on behalf of Raymond Spector, President. **Price**—$3.75 per share. **Underwriter**—Eric & Drevers and Hill, Thompson & Co., Inc., New York. Proceeds will be advanced to Staze Inc., a wholly owned subsidiary, and used to eliminate factoring, to purchase packaging materials more advantageously, for working capital, etc.

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.

● Public Service Co. of New Hampshire

May 12 filed $4,500,000 of first mortgage bonds, Series B, due 1977. **Underwriter**—To be determined by competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co. **Proceeds**—To finance in part a proposed $26,868,700 construction program.

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.

● Radio Systems, Inc., Cleveland, Ohio

May 8 (letter of notification) 500 shares ($100 par) preferred. **Price**—$100 a share. No underwriting. For working capital.

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.

● Retail Credit Co., Atlanta, Ga.

May 8 (letter of notification) 5,383 shares (no par) common. **Price**—$50 a share. No underwriting. For working capital.

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.

● Seaboard Container Corp., Philadelphia

May 9 filed 75,000 shares ($20 par) 5% cumulative convertible preferred and 75,000 shares ($1 par) common. **Underwriter**—Herrick, Waddell & Co., Inc., New York. **Price**—$20 a preferred share and $9 a common share. **Proceeds**—The company will receive proceeds from the sale of all the preferred and 25,000 shares of the common. The remaining shares of common are being sold by stockholders. Company will use its proceeds to redeem $250,000 of 5-year debentures and to repay a $450,000 bank loan. The balance will be used to finance construction of a new plant at Bristol, Pa. **Business**—Manufacture of corrugated fibre shipping containers.

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.

● Soft-Lite Lens Co., Inc., New York

May 7 (letter of notification) 29,000 shares ($10 par) Class B common. **Price**—$10 a share. No underwriting. For general expansion program.

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. (5/19)
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. **Bids Invited**—Bids for purchase of securities will be received before 12 noon (EDT), May 19, at office of Commonwealth & Southern Corp. (N. Y.), 20 Pine St., New York.

● **Standard Factors Corp., New York**
May 7 (letter of notification) 4,500 shares (no par) 75c cumulative preferred. To be offered to holders of debenture bonds and Class A common in exchange for their securities on the basis of $100 of bonds in exchange for five shares of preferred and $25 in cash, and two shares of Class A stock in exchange for one share of preferred. No underwriting.

● **Stateside Corp., Batavia, Ill.**
May 8 (letter of notification) 2,000 shares ($100 par) 5% cumulative preferred and 12,000 shares of (no par) common. **Price**—$100 a preferred share and 50 cents a share for 5,700 shares of common. The remaining shares of common will be issued for U. S. Government bonds at market value. The stock represents pre-incorporation shares. No underwriting. To provide working capital and equipment for manufacture of electric dishwashing machines.

● **Stanley Home Products, Inc., Westfield, Mass.**
May 7 (letter of notification) 3,000 shares ($100 par) preferred. For offering to employees at $100 a share. No underwriting. For acquisition of buildings and machinery and other general corporate purposes.

● **Sterilseat Corp. of America, Philadelphia**
May 8 (letter of notification) 17,000 shares of common stock. Price, $1.75 per share. Underwriter, J. Arthur Warner & Co., New York. Proceeds to selling stockholders. (This letter of notification cancels previous filing of May 2 which was intended to cover offering of stock not to exceed $100,000 in the aggregate.)

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.

● **Sussex County Distillery Co., Inc., Quarryville, N. J.**
May 7 (letter of notification) $180,000 10-year 7% debenture bonds and 54,000 shares ($2 par) common. **Price** $800 per unit, consisting of one $500 bond and 150 shares of common. No underwriting. For retirement of outstanding loans and for additional working capital.

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 $53,906,590, 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. (5/21)
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 about May 21.

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.

● **Venezuela Syndicate, Inc., New York**
May 8 (letter of notification) 35,000 shares of common on behalf of Edgar W. Leonard, a stockholder. To be sold at market through brokers on New York Curb Exchange.

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. (5/26-29)
Mar. 31 filed 108,763 shares ($5 par) common. **Underwriters**—Blair & Co., Inc. and Wm. R. Staats Co. **Offering**—Shares will be offered for subscription to Weber's common stockholders. Certain shareholders have waived subscription rights. The unsubscribed shares will be offered publicly through underwriters. Price by amendment. **Proceeds**—To retire preferred stock and to reduce bank loans.

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. (5/19-21)
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 store managers and department heads, for a limited time, at $6.50 per share. **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.

● **Wooden Shoe Brewing Corp., Minster, Ohio**
May 6 (letter of notification) 30,000 shares of stock. **Price**—$10 a share. **Underwriter**—The First Cleveland Corp., Cleveland, O. For working capital.

Prospective Security Offerings

(NOT YET IN REGISTRATION)
● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

(Only "prospectives" reported during the past week are given herewith. Items previously noted are not repeated)

● **American Telephone & Telegraph Co.**
May 13 company announced that it was preparing a registration statement for filing with the SEC covering a possible issue of $200,000,000 40-Year debentures due June 1, 1987. Net proceeds from the sale would be used to provide its subsidiary and associated companies with funds for extensions, additions and improvements to their plants; for extensions, additions and improvements to its own plant; and for general corporate purposes. Company contemplates offering the new issue for sale through competitive bidding. Probable bidders: Morgan Stanley & Co.; Halsey Stuart & Co. Inc.

● **Arkansas Power & Light Co., Little Rock, Ark.**
May 10 reported company considering issuing some $11,000,000 first mortgage bonds to finance construction. Probable bidders include Halsey, Stuart & Co. Inc.; Dillon, Read & Co., Inc.; Glore, Forgan & Co., and Harriman Ripley & Co. (jointly); The First Boston Corp.; Lehman Brothers and Stone & Webster Securities Corp. (jointly).

● **Baltimore & Ohio RR.**
The company will issue invitations shortly for bids to be received on $6,110,000 equipment trust certificates. The certificates will be designed to finance not more than 80% of the purchase of new equipment. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Alex. Brown & Sons.

● **Carolina Power & Light Co.**
The SEC has approved the proposal of Electric Bond & Share Co. to sell under competitive bidding conditions all

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of its holdings of common stock of Carolina Power & Light Co., consisting of 423,408 shares, representing 46.56% of these outstanding. The Electric Bond and Share's proposal to purchase on the New York Stock Exchange, for the purpose of stabilizing the Carolina common, up to 25,000 shares of such stock, also was approved. These shares will be sold later to the successful bidders for the larger block. Probable bidders include Morgan Stanley & Co.; Dillon, Read & Co. Inc.; W. C. Langley & Co., and The First Boston Corp. (jointly); by Smith, Barney & Co., Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly).

• **Central of Georgia Ry. (5/20)**

Bids will be received at company's office, Savannah, up to noon (EST) May 20 for lowest interest rate at which bidders will provide $625,600 to finance 80% of cost of 200 all steel pulpwood cars, under a conditional sales agreement.

• **Consolidated Edison Co. of New York, Inc.**

May 13 company petitioned the New York P. S. Commission for authority to issue $60,000,000 first & refunding mortgage bonds, Series C, due June 1, 1972, proceeds to be used in refunding $35,000,000 20-year 3½% debentures due 1956 and callable on 30 days' notice at 101.5%, and in paying off the outstanding balance of the short-term bank loans executed recently by the company. The price of the bonds as well as the interest rate is to be determined by competitive bidding. The company expects to file a registration statement with the SEC within the next few days covering the above issue. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.

• **Denver & Rio Grande Western RR. (5/23)**

Bids will be received up to noon (MST) May 23 by the company at 201 Rio Grande Bldg., Denver 1, Colo., for purchase of $1,530,000 equipment trust certificates, Series K, to be dated July 1, 1947 and due in 30 equal semi-annual instalments Jan. 1, 1948 to July 1, 1962. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler.

• **Illinois Terminal RR.**

May 13 company applied to the SEC for authority to issue $1,030,000 equipment trust certificates, to be sold at competitive bidding. Probable bidders include Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris Hall & Co. (Inc.)

• **Lock Nut Corp. of America, Chicago**

May 9 stockholders voted to increase capitalization from 2,500 shares preferred (par $100) and 560,000 shares common (par $1) to 50,000 shares of 5% preferred (par $12.50) and 800,000 shares common (par $1).

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.).

• **Pennsylvania Salt Manufacturing Co.**

July 3 stockholders will vote on creating a new issue of 150,000 shares of preferred stock (par $100) and increase authorized common to 1,500,000 shares (par $10) from 1,000,000 shares. Expected that 50,000 preferred shares will be publicly offered late in July.

Attention, Mr. Dalton!

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Fund politically unwise. Therefore, when at BW the Indian Delegation proposed that the "blocked" sterling balances be liquidated by the Fund in annual instalments, both the British and the Americans were among those opposing. However, before the Conference ended, Lord Keynes, chief of the UK delegaton, indicated that the problem would be answered in some other way satisfactory to India, saying: "We are grateful to those Allies, particularly to our Indian friends, who put their resources at our disposal without stint and themselves suffered from privation as a result. Our efforts would have been gravely, perhaps critically embarrassed, if they had held back from helping us so wholeheartedly and on so great a scale." As for the settlement of the obligations thus incurred by Britain, Keynes promised: "When the end is reached and we can see our way into the daylight we shall take it up without delay, to settle honorably what was honorably and generously given." While Mr. Dalton doubtless will contend that Britain cannot yet see its way into the daylight, the Indians may be counted upon to recall Keynes' words.

The British-Indian Argument

Space here does not permit examination of more than a few aspects of this very tangled and troublesome question, which in the end it is not entirely unlikely one way or another to wind up on our own doorstep. (See "Chronicle" of May 8, p. 9.) One of the arguments between Britain and India is over the British contention that the so-called Financial Settlement between the two reached in November, 1939 was overly generous to India. This was the agreement which allocated between the two the war expenditures. The Indians strongly deny that this was a "hard bargain" on India's part; that as the weaker of the two parties India was in no position to drive a hard bargain, had it been so inclined. But in any case, the Indians will tell Dalton in London, India paid fully under the agreement for its own defense, and that in any case India's defense was just as important to Britain and the Allies as was their defense to India. On the latter ground, the Indians may present Britain with a bill of "counter-claims," in the light of the recent Dalton-Churchill statements.

The British current argument that equality of sacrifice dictates cancellation of a large part of the sterling balances is answered in India by a reference to the capacity-to-pay principle, fortified with a few statistics about the per capita income of India, Britain and other countries. The Indians seem to regard Britain as disgustingly affluent, measured by Indian standards.

There is also the British contention that the entry of Japan into the war and the advent of hostilities almost to India's borders outmoded the November, 1939 Financial Agreement for the sharing of war costs, since thereafter India's self-interest in the matter became far greater, and that therefore India should now agree retroactively to a larger share of the joint war costs. The Indian reply to this will be that their actual outlay for India's own defense after Pearl Harbor mounted approximately tenfold under a provision of the Financial Agreement which gave to the Commander in Chief in India, a Briton, the power to revise India's defense requirements, and that as a result India already has paid a much larger share of the joint war costs that envisaged in the 1939 agreement.

The British Argument

The British argument that a large fraction of the sterling balances would not have accrued to India's favor, had not India charged Britain exhorbitant wartime prices for the goods and services supplied during the war—and converted into sterling payments at the pegged pre-war rate of exchange which did not longer reflect actualities—will bring a heated reply when the British and Indians sit down together later this month in London. Instead of accepting this reasoning, the Indians will doubtless contend that, had the rate of exchange not been artificially pegged, it would have moved in India's favor and so resulted in the piling up of even greater Indian balances in London.

The Indians will refer to the findings of the Select Parliamentary Committee on National Expenditure (Session 1944-45) as revealing that Indian prices seldom were higher, but usually lower than British prices. Moreover, the British Ministry of Food has stated that it was able to make its purchases in India during the war at reasonable prices, the Indians will remind Mr. Dalton. And they may be expected to argue further, that many sales were made to the British authorities by the Indian Government during the war at prices less than those charged to Indian consumers and even to the Indian Government itself.

For whatever it is worth, the Indians will also contend at London that the high prices in India during the war were in large measure a British responsibility, since if the British had permitted the industrialization of India then, as the industrial capacity of other belligerents was expanded, India's productive capacity would have been greater and prices correspondingly lower.

Efforts to force India to accept a scaling down of the sterling balances—which incidentally they deny can be called war debts—will be resisted by the Indians as a form of repudiation, and one for which, incidentally, they deny there is any excuse on the grounds of inability to pay.

U. S. Pressure Resented

The Indians at London will no doubt demand a settlement based upon the conversion of the sterling balances or their payment in the form of goods and services over a period of at most 20 years. They will resent any effort by the United States to bring pressure upon India to make any settlement India considers unfair, although they have no objection to the United States paying off the blocked sterling balances for Britain, should the United States so desire. In fact, something on this order was implicit in the Indian suggestions before and during the Bretton Woods Conference. On the theory that the U. S. A.'s wealth and capacity to pay is immense, India has no objection to our assuming Britain's wartime obligations herein discussed, but as for the suggestion that the sterling balances should be wiped away as an India form of postwar retroactive Lend-Lease to Britain, the Indian answer is, "Nuts!"

For the first time India, looking at its national checkbook, finds itself a creditor nation. It has great national aspirations; and among them industrialization plans which will require much capital goods and raw materials and services from abroad. To proceed with its plans India is all ready, pen in hand, to write the necessary checks on the Old Lady of Threadneedle Street, when along comes Hugh Dalton and "John Bull" Churchill grabbing for the checkbook and threatening to tear it up. The Indian answer is a caution: "Mind your head, Mr. Dalton. Your country has considerable interests in India. If you carry out a unilateral policy, two can play at that game."

No Depression Unless Government Makes It!

(Continued from page 8)

spend his money better than any average politician can spend it for him. The right to spend more of his own earned money for more productive uses should be restored to every American citizen by reducing taxes. The taxes people pay are always in the prices of the goods that they buy. Prices can come down when taxes come down.

Cheap money has increased insurance costs and thereby reduced the power of all the people to protect themselves from poverty and distress in emergencies.

Wage Increases

The government continues to demand wage increases for labor at the expense of every member of these Associations. The manufacturer and distributor are at the mercy of wages when determining prices, because wages make up from two-thirds to four-fifths of the ultimate price paid by the consumer, the difference in the fractions depending on the product. OPA died by law but political exhortations and propaganda continue to inflate prices by demanding 15-cent increases of wages in automobile and steel in 1947, before the 18½-cent increase demanded in 1946 has been absorbed. The increased efficiences and savings of industry achieved in recent years have been siphoned off to labor in wages by government's intervention. This has prevented the reduction in prices of your goods to consumers that otherwise could have been provided.

The question now is whether we shall be able to hold prices down to their present levels, or whether they will have to rise again, as was predicted when General Motors and General Electric granted their wage increases.

Politicians should accept the responsibiilty for price increases that their action creates.

The right to sell at a fair profit is as fundamental to our economic freedom as the right to a job at fair pay; they are the same thing. Goods that cannot be made at a fair profit just don't get made. Goods that cannot be distributed at a profit to the distributor just don't get distributed. The attack on profit is an attack on our free competitive system. Profit is what distinguishes it from socialism.

It is our task to tell America that wages and profits are the rewards for which men work; that they are the same thing; and that neither men nor money will work without wages. You must show that both wages and profits come from production of goods; that your profit is the greatest assurance of employment that your employees can have. If you don't have a profit they can't have jobs. It is your job to make clear by simple economies that no workman in your employ can put the gyp on you without putting it on himself.

If the President is going to intervene in the economy, he should learn more about it. Wage increases and high taxes do not reduce the cost of living.

Prices can come down rapidly if the government quits increasing costs of the items that enter into prices. Price reductions cannot be achieved in any industry when it is threatened with further wage cost rises by government coercion.

Government Cause of High Prices

The combination of government interventions, at a time when a 15-year backlog of unbought consumer goods had not been manufactured, forced prices higher than they should be; higher than they will be if and when the government reduces its costs to the people; if and when government restores equality to industry with labor before the law; if and when government gives industry equality with agriculture.

Now the President is unwilling to live with the price increases his action organized. The President has not criticized labor's increased wages that enter into prices. On the contrary, he has urged the increases. The President has not criticized parity prices for agriculture. On the contrary, he supports them. His criticism of prices is confined to industry, whose price increases have been least and whose contribution to a higher standard of living has been greatest.

Only industry has been asked to reduce prices; not labor, not agriculture; not government. Only industry has reduced prices. Wages are up, food prices are up, peace-time costs of government are multiplied.

Recently the Associated Press reported the following:

"Gael Sullivan, Executive Director of the Democratic National Committee, said today the 'real culprits' in the highprice picture are 'the basic manufacturers.'

"He reported that cabinet officers at the direction of President Truman are carrying on 'a concentrated campaign' to 'put the heat on the basic manufacturers' to cut prices.

"Sullivan made these statements in the first issue of a weekly circular of the Democratic National Committee called 'Capital Comment' to be distributed to party leaders down to the level of county chairman. It is marked 'confidential,' but officials distributed it to newsmen."

Prices and profits can be truly regulated only by free competition, which is as impersonal as gravitation. The President would substitute his personal opinion, with his knowledge of business. It is competition itself which makes and improves products, including all of yours, and distributes them in increased volume, reduces costs, improves quality, makes more jobs, and benefits all the economy.

Since he came into office the President has believed, alternately in an impending boom or a bust. He has even believed in both at the same time. The President is again talking of depression. Except he quit monkeying with the economy, he can have this depression right in his lap.

Causes of Depression

In American history, depressions have resulted from three major causes:

One: An adequate flow of private capital into investments that make jobs. This is caused by governmental restrictions of profits be they high taxes, price controls or other limitations on venture capital.

Two: Mismanagement by the government of the money and credit system, including the public debt. The more money the government spends beyond its income, the less valuable the government's money and its bonds become. Money ceases to be a serviceable vehicle to move goods.

The third cause of depression in America is the granting or perpetuation of special privileges. These grants, whether to labor or to agriculture or to industry, disturb balance within the economy.

All three causes for depression have existed in America in extreme form for the past dozen years.

It is not and it never was within the power of industry to create a depression. Depressions are created only by government mismanagement. The greatest contribution that American industry can give to the postwar period is its solvency—not its bankruptcy. Except industry remain solvent, employees will be fewer or none. The burden of all will be upon those of us who remain solvent. The President cannot expect production to climb on red ink and continued losses.

Enterprise cannot hire men until it first hires money. The job comes next. The salable products for use come last. The man who has savings to hire has the option of not risking them.

Profit is the inducement offered to the investor by businessmen wanting to establish, enlarge, or just operate a business. Without profit, new capital has no incentive to risk investment; old capital contracts to save the principal.

Price reductions at the cost of solvency create unemployment, reduce purchasing power, lower the standard of living for all the people.

Let the President demand lower taxes so that prices may fall. Let the government buy agricultural products at parity and not above parity so that food prices can drop. Let the government quit forcing wage increases that lift prices beyond the ability of the public to pay.

Keep Solvent

The easiest way to discount a depression in your business is to make ready for it.

Protect your solvency as you would your life. Reduce all possible prices. Pare down your inventories. Reduce the age of your receivables. Reduce your organization if possible. Improve service to your customers. Intensify all shop and sales training courses. Bring new and better men into your organizations. Lift the level of your objectives. Call personally, hat in hand, on good customers you have lost.

Solvency is the greatest contribution you can make to the welfare of the nation. It is the greatest support you can give the President in his purposes, as distinguished from his method. It is the true assurance of jobs at high wages. It is the assurance of solvency to your suppliers. It is the assurance of growth to your owners. Every member of these Associations knows that solvency is best achieved by reducing prices when possible, by improving quality of service. An obsolete business makes no profit—makes no friends. A busted business provides neither goods nor jobs.

We are not working our way toward a depression. We are working our way out into a fully competitive market. If depression is to be avoided, taxes on venture capital must be reduced and labor's monopoly must be ended. There will be no depression in 1947 unless the government makes it. Give industry freedom to risk and venture; give back the incentive of competition; restore equality for industry with labor before the law; and industry will create wealth that will constantly raise the standard of living in any nation as long as incentive remains.

Let us who have grown up by competition recognize that it is not an easy way. But there is no easy way to win the peace, any more than there was an easy way to win the war.

When foreign nations accept competitive enterprise they can produce their own goods, develop their own resources, pay their own bills, meet their own debts, and abandon currency and quota controls because such defenses won't be needed. With freedom to enterprise they can raise the iron curtain, the quota curtains, the bloc curtains and other restrictions that keep their people in subjugation.

Only American competitive freedom can lift the world from poverty to plenty. Freedom in America should be expanded, not contracted, so that America can be the example for all the world—a free competitive enterprise lifting the standard of living for all the people who labor and work and have ambition.

Our Reporter's Report

With sponsoring groups turning loose some of the recent issues that had lagged a bit the market was reported cleaning up in good style this week, assuring a clear track for new issues which are ahead.

The differences of small fractions under the offering prices at which certain of those undertakings settled seemed to provide sufficient difference in the yield offered to make them attractive to institutional buyers.

At any rate that appeared to be the case in the instance of the recently marketed Consolidated Edison Co. of New York 2⅝%. Bankers paid the company 100.729 for the issue in competitive bidding.

Brought to market for public offering at 101.05 the bulk of the issue was sold quickly, but the group reportedly still held bonds when the syndicated agreement was terminated. It settled thereafter to around 100½ where good institutional inquiry was attracted.

Much the same situation developed in the case of Northern States Power Co.'s 2⅝s, due 1977. That issue was priced for public offering at 101¼. After a good start inquiry tapered off somewhat.

The sponsoring group recently cut the issue loose and without the syndicate prop it tapered off to around 100⅝ bid 100⅞ offered. At these levels, however, it was said the balance of the issue was moving out in response to revived demand.

Seeking Bit More Return

In usually active dealer circles reports indicate that institutional buyers are in a decidedly quiescent mood at the moment and showing little inclination to anything more than stand aside.

These interests still are not especially well pleased with the indicated return offered by most recent offerings even in face of the fact that once such issues are placed the majority seem to work up to fairly substantial premiums.

Evidently the disposition to seek out a bit more in the way of return on the investment is the explanation for the reported tendency toward preferred stocks at the moment. Several houses have found the trend in that direction recently.

Southern Pacific

Southern Pacific Railroad's offering of $22,500,000 of San Francisco Terminal mortgage bonds brought out bids from only two groups when the issue was put up for sale on Tuesday.

These proved to be rather wide apart in contrast with the recent close bidding that has attended competitive offerings. The successful group paid the company a price of 99.30 for the issue while the runner-up offered to pay 98.3599.

On reoffering at a price of 100.45, to afford a yield of 3.35% the bonds were reported to have met brisk demand, with a number of insurance companies appearing as buyers.

American Tel. & Tel. Co.

The American Telephone and Telegraph Co. announced May 13 that it was preparing a registration statement for filing with the SEC covering a possible issue of $200,000,000 40-Year Debentures due June 1, 1987.

Net proceeds from the sale would be used to provide its subsidiary and associated companies with funds for extensions, additions and improvements to their plants; for extensions, additions and improvements to its own plant; and for general corporate purposes.

The company contemplates offering the new issue for sale through competitive bidding.

Consolidated Edison in Last Lap

Consolidated Edison Co. of New York, turned into the homestretch on its vast refinancing program when, on Tuesday, it petitioned the Public Service Commission for authority to issue $60,000,000 of new first and refunding mortgage bonds Series C, due 1972.

This issue will round out the company's refinancing project which involved the flotation of $269,000,000 in new securities. As required by the Securities Act the bonds will be sold in competitive bidding.

The current financing will provide for retirement of $35,000,000 of outstanding 3½% debentures, due in 1956 and for the liquidation of short-term bank loans incurred to facilitate the refinancing.

Another Large Refinancing

Another big utility refinancing project came into the field when the Interstate Power Co., of Iowa, registered with the SEC for a new first mortgage issue of $19,400,000 plus 3,000,000 shares of common stock of $3.50 par.

The company proposes to sell both these issues in competitive bidding under its plan of reorganization to replace its currently outstanding securities.

A Second Loan to Britain Unlikely

By PAUL EINZIG

Dr. Einzig gives as reasons for British opposition to seeking a second U. S. loan: (1) need for inducing British workman to work harder; (2) opposition to further restrictions; and (3) belief that resistance to non-discrimination imposed by U. S. will stiffen in Britain when her dollars are exhausted.

LONDON—Until recently it was widely assumed that sooner or later the British Government will apply to Washington for a second dollar loan, in order to be able to continue to finance the deficit in hard currencies after the proceeds of the first loan have been used up. During the last few weeks, however, strong doubts have arisen whether the government would take that course. Indeed, many quarters hold the view that a second loan would not be accepted even if the initiative came from Washington and even if no unpopular political or economic conditions were attached to it.

Dr. Paul Einzig

The pamphlet entitled, "Keep Left," published by 15 active and young Socialist Members of Parliament, emphatically comes out against a second loan. This view is shared by a large number of other members, both Conservative and Socialist. The government itself is believed to be divided on the subject, but those in favor of seeking salvation through austerity, headed by Sir Stafford Cripps, appear to be gaining the upper hand. The idea is that, so long as it appears that the United States would continue to cover Britain's trade deficit as a matter of course, nothing could possibly induce the British workman to work harder.

Beyond doubt, Britain needs some form of shock, in order that her people should be galvanized into exerting themselves to increase production. Even the privations inflicted on the nation by the fuel crisis were not sufficient to achieve this result. If, however, as a result of the exhaustion of the dollar resources, it should come to be realized that the country simply must pay its way, then possibly the British workman, thoroughly pampered and spoiled through the combined effects of full employment and the existence of a Labor Government in office, may put his back into it as he did during the war.

There is another consideration for which the government is genuinely anxious to avoid a second American loan. It is widely assumed that, now that a Republican majority controls Congress, a large dollar loan is inconceivable without political conditions attached to it. It is expected that the Republicans would insist at least on a halt being called to nationalization, but possibly also on a Conservative-Socialist Coalition Government. In any case, at least half of the Labor Party would be opposed to any undertaking to stop nationalizations, so that, in order to be able to comply with any American demand to that effect, the government would have to rely on Conservative support for its majority.

There is a widespread suspicion among Socialists that the reason why the Washington Administration is pressing relentlessly for the fulfillment of the undertaking to make sterling convertible on July 15 is that it wishes to accelerate the pace at which the proceeds of the dollar loan are depleted. The theory that this aim is pursued in order to be able to force on Britain the maintenance of the capitalist system is considered by most people as too Machiavellian to be taken seriously. On the other hand, many quarters believe that in Washington the stiffening British resistance to non-discrimination is expected to be overcome if Britain is once more in bad need of dollars. Hence, the insistence on a very broad interpretation of convertibility. Should the British Treasury accept this interpretation, it seems certain that by the time the Conference on Trade and Employment arrives at its critical phase the possibility of an exhaustion of the British dollar reserve in the near future would have to be envisaged.

OFLC to Negotiate Sale of Canol

The Office of the Foreign Liquidation Commissioner has rejected all bids for the Canol 1 project located in Canada and will proceed to reoffer that war-time crude oil facility for sale on a negotiated basis.

Invitations to bid on this property were distributed last January. The offers were publicly opened April 28, last.

Twenty-five bidders submitted proposals. However, Major General Donald H. Connolly, Foreign Liquidation Commissioner, said no qualified bid for the project as a whole or in combination lots was adequate and in the best interests of the Government it was decided to sell Canol 1 on a negotiated basis.

The procurement cost of the physical properties of Canol 1 has been estimated at $15,000,000.

Information on Canol 1 may be obtained from Charles B. Jones, OFLC Field Commissioner for Canada and the North Atlantic Areas, Room 2035, Temporary R Building, Fourth and Jefferson Drive, S. W., Washington, D. C.

Sterling Convertibility Problems

Interpretation of "net balance" provision of Loan Agreement vitally important to status of sterling and to London's "City."

WASHINGTON, May 14 (Special to the "Chronicle")—A problem of interpretation arises in connection with the implementation of the convertibility-of-sterling provisions of the British Loan next July 15. This is the question of whether the loan agreement calls for the convertibility of all current sterling or only of "net balances." The question is of importance from the standpoint of London's historic position as a world financial entrepot.

For example, if India after July 15 elects to convert into dollars immediately all Sterling proceeds of its current transactions and to reconvert dollars into Sterling for any goods and services the UK may supply India, the latter country in effect will be keeping its trading balances in America rather than London. The status of Sterling will tend to be impaired and the earnings of "The City" will tend to suffer.

But if Britain so interprets the Loan Agreement as to require the convertibility of only the net balance "or" net "balances" on current account, it will be necessary for the trading nations—such as India—to keep substantial balances in London. The Loan Agreement does not mention net balances in this connection. Does the term mean the net balances at the end of a day, a week, or a month? Does it mean the net balances of a single country, of the Sterling area as a unit, or of the entire non-dollar area?

If Britain adopts the "net balance" interpretation in any of the above forms, it may mean that countries acquiring Sterling as a result of current transactions will have to wait for a certain period before converting their acquisitions of new Sterling into other currencies. If they do, Britain may expect complaints and those complaints seem likely to have the support of the U. S. Government, since it seems clear—at least to this writer—that the American negotiators of the British loan had in mind the immediate convertibility of all Sterling acquired as a result of current transactions, on a gross basis.

Asked by the writer whether the U. S. Treasury interprets the convertibility clause as applying on a net or gross basis, the Treasury through its spokesman, Andrew Overby, today replied: "We have no comment — no comment at this time."

Britishers Irked Over World Bank Policies

Voicing agitation for salvaging their own previous commitments. Note difficulties with Mexico and Chile. Executive Director Black, on other hand, tells "Chronicle" correspondent Bank cannot be collecting agency for old bondholders.

WASHINGTON, May 14 (Special to the "Chronicle")—So much of the World Bank's fate depends upon what Americans think—American financial officials, American investors, American legislators—that relatively little attention has been paid in this country to what foreigners think. An editorial in "The Financial Times" (London) of May 2 provides an interesting example of a British investor viewpoint. The editorial sees British interest as requiring that the Bank swing quickly into action to aid countries whose recovery would assist Britains. "We might then, incidentally, have an improved prospect of salvaging some of the derelict capital we have scattered about the world in the days when we were the big international lender — frequently with greater benefit to the borrowers than ourselves."

But the main burden of the editorial is that loan requests from Mexico and Chile involve British interests because of their past treatment of British investments. If the Bank is to make only sound loans to credit-worthy borrowers, countries like Mexico and Chile, on the basis of past performance, will have great difficulty in satisfying the Bank, the editorial states, adding: "They would certainly be required to give clear and convincing evidence of their intention to revise their former attitude to foreign capital. The minimum requirement, surely, would have to be an undertaking to achieve an equitable settlement of outstanding liabilities.

Whether the Bank's future course entirely satisfies British holders of Mexican and Chilean bonds or other property remains to be seen. Eugene Black, American Executive Director of the Bank, recently told this correspondent as follows:

"It is incorrect to state that Mr. McCloy and I are opposed to lending to Latin America. It is perfectly safe to say, of course, that if a country has defaulted, the Bank will have to be a bit more careful than with a non-defaulter. But the Bank has not any policy not to lend to past defaulters. The Bank cannot be a collecting agency for old bondholders. However, that doesn't mean that the Bank is disinterested. It must weigh any default situation. Perhaps a loan will improve the general economy and so help old bondholders."

British Official Doubts Heavy Sale of Sterling Impends

British Treasury spokesman denies heavy selling of Sterling will come when this currency becomes "freely convertible." Says Anglo-American loan agreement does not require Britain to pay in dollars for all imports.

According to a United Press dispatch from London on May 9, a British Treasury spokesman stated as "entirely unfounded" reports in the United States that "there will be heavy selling in sterling, after July 16, the day on which sterling, according to the Anglo-American loan agreement becomes 'freely convertible.'"

He explained that "freely convertible" does not mean that British capital then can be transferred from country to country or that Britain must pay dollars for all imports, regardless of country of origin.

The despatch stated that: "It was emphasized that only demands for sterling rising out of current trade must be converted on demand, while in the case of countries with which Britain has reached prior financial agreements, or expects to in the near future, demands for dollars must be met only if needed by the exporting nations to meet other commitments on current transactions."

Agreements of this character already have been concluded with Belgium, Holland, Portugal, Switzerland and Italy, while a similar one with France is near to conclusion and talks are to open soon with Norway and Sweden.

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